SinnerSchrader

Aktiengesellschaft

Hamburg

Business report (Unternehmensbericht) / prospectus

of 27 December 2001

for the admission of

a total of

1,567,764 no-par value bearer shares representing an arithmetical share in the stock capital of €1 per ordinary share

consisting of

437,246 no-par value shares from the capital increase by contribution in kind entered in the Commercial Register on 10 January 2001 to the exclusion of the statutory subscription right

Numbers 9 975 001–10 412 246

Security code number 515 591 (280,972 no-par value shares)
Security code number 515 592 (78,137 no-par value shares)
Security code number 515 593 (78,137 no-par value shares)

and

1,130,518 no-par value shares from the capital increase by contribution in kind entered in the Commercial Register on 19 November 2001 to the exclusion of the statutory subscription right

Numbers 10 412 247–11 542 764

Security code number 515 591 (401,334 no-par value shares)
Security code number 723 956 (327,850 no-par value shares)
Security code number 515 592 (200,669 no-par value shares)
Security code number 515 593 (200,665 no-par value shares)

in each case with full dividend entitlement for the business year 2001/2002, i.e. as from 1 September 2001

were admitted to the Regulated Market (Geregelter Markt) with inclusion in trading on the Neuer Markt at the

Frankfurt Stock Exchange

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General information

Responsibility for the content of the prospectus

SinnerSchrader Aktiengesellschaft (hereinafter referred to as SinnerSchrader, or Company) and Joh. Berenberg, Gossler & Co. (hereinafter referred to as Berenberg Bank or Bank) assume responsibility for the content of this prospectus under § 77 in conjunction with § 45 Börsengesetz (German Stock Exchange Act) and herewith declare that to the best of their knowledge the information contained in this prospectus is accurate and no significant facts have been omitted.

Inspection of documents

The documents mentioned in the prospectus as well as annual reports and interim reports may be inspected in the usual business hours at the Company's headquarters, Gasstrasse 8–16, 22761 Hamburg, and at the business premises of Berenberg Bank, Neuer Jungfernstieg 20, 20354 Hamburg.

Subject of the prospectus/ business report

The subject of this prospectus are the total of 1,567,764 no-par value bearer shares of SinnerSchrader AG with an arithmetical share in the stock capital of €1 per ordinary share from the capital increase against contributions in kind amounting to 437,246 no-par value shares entered in the Commercial Register on 10 January 2001 and from the capital increase by contribution in kind amounting to 1,130,518 no-par value shares entered in the Commercial Register on 19 November 2001. The new shares are vested with full dividend entitlement for the business year 2001/2002, i.e. from 1 September 2001.

The new no-par value shares are evidenced in global certificates deposited with Clearstream Banking AG, Frankfurt am Main, ("Clearstream"). Under the company's articles of association the shareholders are not entitled to receive physical certificates of the shares. Under collective custody, the book entry of the 1,567,764 no-par value shares from the non-cash capital increases was made pro-rata (see also the section "Prohibition on disposals/market protection clause.") with the following German securities code numbers (WKN):

WKN	No-par value shares	Lock-up period
515 591	682,306	31 December 2001
723 956	327,850	30 April 2002
515 592	278,806	31 December 2002
515 593	278,802	31 December 2003

On the day this prohibition expires, Clearstream Banking AG will automatically arrange for the portfolios of the appropriate German securities code numbers (WKN) to be pooled under the German securities number (WKN) 514 190 or put on an equal footing with the existing shares.

Glossary

Adtraction is a technology developed by SinnerSchrader for checking the success of advertising, with which online media campaigns can be tracked, assessed, optimised and refined applying standard criteria.

Affiliate programmes represent business strategies on the Internet by way of partnership programmes. These virtual distribution networks function on the basis of a win-win situation which is equally profitable to both partners: While the affiliate can upgrade its website with new products and services and at that the same time is paid for every sale, the provider can expand its range. Payment does not take place until a transaction is effected.

Back-end processes form business procedures which were initiated by the user in the front end on existing IT systems, or provide the user with information from these systems via the front end.

Broadband is the designation for a transmission channel of at least 768 kbit/s for transmitting films in real time. The bandwidth designates the transmission capacity of a line system and is stated in bit/s or in mbit/s.

Clickstream A clickstream consists of a series of directly consecutive page retrievals (clicks) by the user during a user session.

Content management systems Editorial systems which support the preparation and administration of editorial content for websites are referred to as content management systems (CMS).

Corba Abbreviation for „Common Object Request Broker Architecture“. Corba is the standard which defines communication between distributed applications. Corba is system-independent and not tied to a specific programming language.

Cost per Order (CPO) designates the total of all costs (for advertising, shipment, follow-up campaigns, etc.) which has to be expended for winning a job or an order.

Direct mailing concepts In direct mailing selected target groups are directly and specifically addressed in order to trigger as far as possible an immediate response (e.g. purchase or order). Compared with mass mailing direct mail only addresses those groups of persons to which a concrete information need is attributed on the basis of existing findings. The success of a mailshot derives, among other things, from the level of response.

EJB - "Enterprise Java Beans" - designates a component model for the development of Java components in a distributed multi-tier environment. An EJB is a server-side, portable component which encapsulates the business logic of an application.

Experience models, which are created by means of scientific processes, practical tests and comprehensive market analyses, enable a detailed representation to be made of how customers use the Internet. From these plastic profiles of customer behaviour important findings can be derived on brand loyalty, purchase incentives, utilisation behaviour and marketing strategies.

Front-end processes
"Front end" is the term used for special programmes which via a user interface permit access to certain server services or also backend processes. The front end processes are the way in which this access is implemented visibly for the user (e.g. navigation, product search, selection, ordering).

GUI is the abbreviation for graphical user interface, as used for example in Microsoft Windows or in a browser.

ITV stands for "interactive television" on the basis of digital TV standards. See "Multimedia Home Platform" (MHP).

Java, developed by Sun Microsystems, is a platform-independent, object-oriented programming language.

J2EE stands for "Java 2.0 Enterprise Edition" and is an industrial standard introduced by Sun Microsystems in 2000. J2EE is an applications architecture with rules for programming server-side, multi-stage applications in the client/server environment. The architecture is supported by class libraries which are coded in the object-oriented language Java.

Kiosk systems are computer-based information and transaction systems which support new forms of distribution. The spectrum ranges from product information systems and electronic orientation aids in trading through point-of-information systems at public places, airports and railway stations to interactive TV shopping.

Middleware is software which provides tools and semis in the form of program libraries or frameworks. It enables complex applications software to be produced more simply.

Multichannel strategy A multichannel strategy incorporates the parallel provision of services and offers in multiple distribution channels (WWW, WAP, PDAs). The same business processes can be used via channel-specific front ends.

Multimedia Home Platform (MHP) sets a uniform standard for set-top boxes since 2000. The interface thus created is available to all programme providers and equipment manufacturers equally. With the new MHP systems the aim in the long-run is that Internet and TV will merge: apart from digital TV channels the viewer can receive information such as Super-Teletext, electronic TV listings, News Ticker, stock market news, write e-mails, surf the Web and make purchases in online shops.

PDA Abbreviation for “personal digital assistant”, usually a compact computer with diary and note-recording functions and also called “handheld”.

POS stands for "Point of Sale". POS systems are kiosk systems nstalled in shops for information purposes or as a sales-supporting measure.

Swing A Java class library, part of JDK 1.2 (Java Development Kit) from Sun Microsystems. Swing simplifies the creation of standard high-quality graphical user interfaces, as in Windows and MacOS.

UMTS is the abbreviation for "Universal Mobile Telecommunications System", a mobile radio technology which in addition to the classic mobile radio features is intended to also facilitate multimedia services and rapid Internet access.

Usability User-friendliness of the website through clarity of design and a clearly structured navigation system which generates higher stickiness (duration of use).

WAP ("Wireless Application Protocol") is a protocol which defines the transmission and representation of specific Internet content on appliances with restricted presentation capability such as mobile phones or PDAs.

Web mining With the aid of Web mining tools the behaviour of visitors and customers can be precisely measured and analysed. The aim is to find out how digital customer relationships should be designed in order to be profitable.

XML ("eXtensible Markup Language") is a standard for the definition of platform-independent, structured data formats. Like HMTL, XML is a sub-unit of SGML (Standard Generalised Mark-Up Language). Whereas HTML is used for the presentation of content, the structure of data can be described with XML.

Statements concerning the future

Opinions and any stated views or predictions relating to the future that are relayed in this prospectus are exclusively the opinions and predictions of SinnerSchrader AG. Predictions and opinions are stated views that are combined with expressions such as “anticipates”, “believes”, “estimates”, “assumes” or “is of the view” and similar. They express the present opinion of the Company and are based on the knowledge and information available to it at the time of producing this prospectus. Assumptions derived from this information may turn out to be correct or incorrect. Various factors, not least the kind of events described in the section “Risk factors”, can cause the actual events that occur and their effects on the business activity as well as the financial and profit position of SinnerSchrader to differ significantly from the prediction. The same applies to the opinions and predictions of third parties identified by quotations in this prospectus.

Summary of the prospectus

The following summary contains selected information supplemented by the detailed information presented elsewhere in this prospectus and the other financial data and notes contained in the financial statements section.

SinnerSchrader

The SinnerSchrader Group is a consulting and service corporation that is generally active in the sector of Web-based business systems (e-business) and also focuses on systems for electronic commerce (e-commerce) and for electronic customer relations management (e-CRM). The group handles the conception, implementation, organisation and operation of e-business solutions for other companies. SinnerSchrader also offers data analysis services for data from e-business systems and online marketing services for e-commerce solutions.

The integrated customer care service is a "one-stop shopping" concept. The services the Company offers in detail are consultation on e-business strategy and concepts, as mentioned, as well as design and production of user interfaces, software and system development, system integration, operation and maintenance of e-business systems, development of data analysis strategies and data analysis, together with planning, development and control of online marketing campaigns (see section "Business activity")

SinnerSchrader AG is a holding company with operational activities largely conducted by the subsidiaries. The business activities are distributed across the subsidiary companies Sinner + Schrader Interactive Marketing GmbH *(SinnerSchrader IM*), Sinner + Schrader Interactive Software GmbH *(SinnerSchrader IS)*, SinnerSchrader UK Limited (*SinnerSchrader UK*), SinnerSchrader Benelux BV and SinnerSchrader Netmatic GmbH *(SinnerSchrader Netmatic)* formerly NetMatic Internet/Intranet Solutions GmbH with its subsidiary company NetMatic Inc.
SinnerSchrader IM and SinnerSchrader IS were founded in February 1997 and December 1997, respectively, as limited-liability companies (GmbH). SinnerSchrader AG was founded in July 1999. On 18 September 2000 SinnerSchrader AG signed a contribution agreement in respect of 100% of the shares in NetMatic. The Shareholders' Meeting of SinnerSchrader AG on 12 December 2000 approved this contribution and post-formation agreement under § 52 of the Stock Corporation Act (AktG) (see section "Acquisition of NetMatic Internet/Intranet Solutions GmbH").
The subsidiaries SinnerSchrader Interactive Software GmbH and SinnerSchrader Netmatic GmbH merged to form SinnerSchrader Interactive Marketing GmbH with the agreement of 28 August 2001. The Company changed its name to SinnerSchrader Deutschland GmbH with the resolution of 28 August 2001. The application to register the Company in the Commercial Register was made on 28 August 2001. *Registration took place on 5 December 2001* (see "SinnerSchrader Group").

Strategy

SinnerSchrader's strategy is based on the Company's ability to assume overall responsibility for projects with the aim of providing customers with technologically ambitious turnkey e-business solutions from one source of supply. More than half of employees work in the engineering area.

SinnerSchrader's vision is to support companies with Internet-based systems and to manage their customers and partners better, more cost-effectively and thus more profitably. For this purpose, the Company develops innovative e-business solutions that supplement existing sales channels (multi-channel strategies), increase customer loyalty and optimise business processes.

Since 1996 SinnerSchrader has been exclusively developing dynamic Web applications on the basis of modern multi-layer architectures with the aid of object-oriented technologies. Cleverly devised software architectures, ultra-modern tools and innovative methods, in conjunction with sound partnerships with leading suppliers of J2EE, content management and database products, form a solid foundation for realising successful e-business projects.

The aim is to continue developing competence in the respective areas. The building of technological competence is thus one of the principles that guide SinnerSchrader's strategy. The takeover of NetMatic with almost 50 software specialists, three years of experience in Internet projects based on the WebObjects technology platform and interesting customer relationships represented a significant step in the implementation of this guiding principle.

Summary of financial data

Details from the consolidated profit and loss account according to US-GAAP

	1.9.00 31.8.01	1.9.99 31.8.00	1.1.99 31.8.99
Selected data from the profit and loss account	**in DM**	**in DM**	**in DM**
Gross revenues	35,078,027	28,676,773	8,399,699
Operating income	–6,673,640	6,576,033	2,826,183
Income before income taxes	–4,510,344	8,209,139	2,863,828
Tax on income	–286,071	–4,359,942	–1,524,171
Net profit/loss for the year	–4,796,415	3,849,197	1,339,657

Details from the consolidated balance sheets according to US-GAAP

	at 31.8.01	at 31.8.00	at 31.8.99
Selected data from the consolidated balance sheets	**in DM**	**in DM**	**in DM**
Cash and cash equivalents	7,816,380	567,158	6,149,889
Current investments	49,455,942	60,151,188	-
Accounts receivable	8,529,550	8,318,657	1,460,095
Provisions for taxes and other items	4,204,577	5,104,794	2,190,573
Shareholders' equity	85,294,401	66,104,366	5,487,239
Balance sheet total	104,318,528	75,589,723	8,450,943

Acquisition of NetMatic Internet/Intranet Solutions GmbH

NetMatic Internet/Intranet Solutions GmbH, Hamburg

NetMatic Internet/Intranet Solutions GmbH, Hamburg, (hereinafter referred to as "NetMatic") was founded in 1996 and entered in the Commercial Register of the lower regional court of Hamburg under HR-B 62744 on 5 November 1996. NetMatic is a software service company for e-business applications. The Company's business activities include the planning out of solutions and consultancy and development in the area of Internet and Intranet services.

The Company employed 50 staff on 31 December 2000. On average, 45 staff were employed in the business year 2000.

NetMatic is the sole shareholder of NetMatic Inc., Denver (hereinafter referred to as "NetMatic Inc."), with a share capital of US$ 5,000.00. The subsidiary company was founded on 23 August 1999.

Contribution of capital agreement and post-formation report
On September 2000, SinnerSchrader AG, Hamburg, signed a contribution of capital and post-formation agreement concerning all the shares of NetMatic with Messrs Alexander Spohr, Gerd Stahl, Matthias Fricke and all other shareholders of NetMatic Internet/Intranet Solutions GmbH, Hamburg.

The Shareholders' Meeting of SinnerSchrader AG of 12 December 2000 approved the contribution of capital and post-formation agreement.

The essential details of this are as follows:

The shareholders of NetMatic (hereinafter also referred to as the "Contributing Parties") transfer 100% of their shares to SinnerSchrader AG, Hamburg. In addition, the registered trade mark "NetMatic Internet/Intranet Solutions", which is not part of the assets, is sold to SinnerSchrader AG.

For the contribution of the shares and the trade mark, the Contributing Parties receive the following considerations:

⇒ DM 500,000 for the acquisition of all rights to the "NetMatic Internet/Intranet Solutions" trade mark

⇒ DM 2,500,000 cash component for the contribution of shares

⇒ Shares of SinnerSchrader AG (the shareholders of NetMatic are entitled to subscribe for no-par value bearer shares of SinnerSchrader AG with an arithmetical share in the stock capital of €1. The subscription right of existing shareholders is excluded on the basis of the authority of the Executive Board with the approval of the Supervisory Board in accordance with § 5 para. 1 of the articles of association).

The total amount of the consideration to be paid in cash and in shares depends on the turnover and the revenue of NetMatic. The purchase price is between 50% and 100% of six times the relevant turnover of NetMatic for the business year 2000. The percentage rate up to which six times the relevant turnover is to be paid as purchase price depends on the relevant EBIT (earnings before interest and tax). The relevant EBIT margin in per cent is calculated from the product of the relevant EBIT and the factor 100, divided by the relevant turnover.

The relevant EBIT is calculated from the relevant turnover less operating expenses shown in the audited annual accounts of NetMatic to 31 December 2000. Personnel costs for employees recruited in the first two months following conclusion of the agreement do not count as operating expenses if the target figure of 52 employees was exceeded as a result of these new recruits.

If the relevant EBIT margin is greater than or equal to 25%, the purchase price is six times the relevant turnover. If the EBIT margin is lower, the purchase price is less. If the relevant turnover is, as predicted, DM 10 million and the agreed multiple of six is applied, the result is an anticipated total price of DM 60 million. The purchase price can be higher or lower, however, depending on the turnover actually achieved by NetMatic.

The purchase price will be paid to the sellers in two instalments, with the cash component being paid as part of the first instalment. In addition, as part of this instalment the shareholders of NetMatic will be entitled to subscribe for 437,246 no-par value shares with an arithmetical share in the stock capital of €1 per ordinary share.

In the second instalment, only shares will be paid as consideration for the contribution of the shares. The number of shares required in all for the contribution of the second instalment of the purchase price is calculated on the basis of the greater of the two following values:

⇒ Mean of the closing prices of SinnerSchrader AG on the floor of the Frankfurt Stock Exchange on all trading days in the first quarter of 2001;

⇒ €10.

5% of the shares to be distributed to the sellers will be set aside, as part of an employee shareholding scheme, for the operation of option rights for the employees of NetMatic.

The sellers Alexander Spohr, Gerd Stahl and Matthias Fricke undertake to work for NetMatic or SinnerSchrader AG until 31 December 2003.

Lock-up periods are imposed on the shares to be distributed to the shareholders of NetMatic. For shareholders no longer actively employed at NetMatic, these lock-up periods in each case expire one year after receipt of the shares; for shareholders actively employed at NetMatic, there is a graduated scheme of time limits:

⇒ for 50% of the shares, the lock-up period ends on 31 December 2001

⇒ for a further 25% of the shares, the lock-up period ends on 31 December 2002 and

⇒ for the remaining 25% of the shares, the lock-up period ends on 31 December 2003.

Due to the fact that completion of the capital increase for the second instalment of the purchase price took significantly longer than expected at the time of concluding the contract for sale, SinnerSchrader AG promised the former non-active shareholders of NetMatic that the lock-up period for the shares of the second purchase price instalment would end on 30 April 2002.

The shareholders of NetMatic have also undertaken in the contract only to sell the shares on expiry of the lock-up periods if this will not harm the market price.

The shareholders of NetMatic have given assurances and guarantees to SinnerSchrader AG within the contribution of capital and post-formation agreement as are normal in the case of the acquisition of a company. Such claims lapse on expiry of 31 December 2001, however claims of SinnerSchrader AG arising from fiscal disadvantages contrary to given assurances and guarantees lapse six months from the time the respective tax assessments became incontestable.

The shareholders of NetMatic are liable as co-debtors to a maximum of one third of the purchase price. All legal disputes arising from the agreement must be decided by a court of arbitration with no ordinary recourse to law. The Supervisory Board has agreed to this agreement.

The report of the audit of the post-formation under § 52, para. 4 in conjunction with § 34 of the Stock Corporation Act (AktG) was prepared by Busch - Dr. Müller und Partner OHG Wirtschaftsprüfungsgesellschaft and provided with the following audit opinion:

"Result of audit according to the conclusive finding of our due and proper audit in accordance with §§ 52 para. 4, 34 of the Stock Corporation Act (AktG)

based on the documents, books, writings and the explanations and evidence presented to us, we confirm that

a) the details in the post-formation report by the Supervisory Board are correct and complete
b) the value of the assets to be acquired reaches the value of the payment to be granted in exchange
c) the value of the assets contributed by way of capital increase with contributions in kind as part of the first instalment of the purchase price at least reaches the lowest amount of the shares to be granted in exchange.

Hamburg, 6 December 2000

Busch - Dr. Müller und Partner OHG
Wirtschaftsprüfungsgesellschaft

Dr. von Rönn	ppa. Hempel
Auditor	Auditor"

Issue of SinnerSchrader shares for the acquisition of NetMatic

Under the terms of the contribution of capital agreement of 18 September 2000, the shareholders of NetMatic receive DM 3,000,000 in cash as consideration for their shares and the right in the trade mark as well as a total of 1,567,764 new no-par value shares in SinnerSchrader AG with an arithmetical share in the stock capital of €1 per ordinary share.

The first instalment of the purchase price was calculated on the basis of an anticipated total purchase price of DM 60 million. Under the terms of the contribution of capital agreement, the first instalment of the purchase price is to be paid as follows:

- a total of DM 3 million in cash (acquisition of assets)
- a total of 437,426 no-par value shares of SinnerSchrader AG (contribution in kind).

The value of the shares at the time of signing the agreement was ascertained on the basis of a stock exchange price of €31.5725 per share, which corresponds to the average closing price of the individual share certificate of SinnerSchrader AG in trading on the floor of the Frankfurt Stock Exchange on the 20 trading days up to and including 8 September 2000.

The second instalment of the purchase price was calculated on the basis of the relevant turnover and the percentage return on sales (EBIT/turnover*100) of NetMatic GmbH for the business year 2000. If the return on sales is 25% or more, the total price is calculated in accordance with six times the relevant turnover. In accordance with the terms of the contribution of capital agreement, Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsbesellschaft mbH, Hamburg, was requested to prepare a report with the purpose of calculating the relevant turnover and EBIT on the basis of the 2000 annual accounts of NetMatic and NetMatic Inc. This report yielded a return on sales of more than 25% and a relevant turnover of around DM 8,685,157 (€4,440,650). The average closing price of the SinnerSchrader share in trading on the floor of the Frankfurt Stock Exchange on all trading days of the first quarter of 2001 was €8.89 and therefore below the laid down minimum price of €10 for the calculation of the number of shares of the second instalment of the purchase price. The result is that the consideration for the second instalment of the purchase price works out to 1,130,518 no-par value shares of SinnerSchrader AG.

For the settlement of the first instalment of the purchase price, the Executive Board with the agreement of the Supervisory Board on 12 December 2000 used its authority under § 5 of the articles of association and decided to increase the stock capital by €437,246 for a contribution in kind by issuing 437,246 no-par value shares of SinnerSchrader AG. The new shares are vested with a dividend entitlement from 1 January 2001, i.e. 2/3 for the business year 2000/2001. The capital increase was entered in the Commercial Register on 10 January 2001. The cash sum of DM 3,000,000 was also paid.

For the settlement of the second instalment of the purchase price, the Executive Board with the agreement of the Supervisory Board on 18 October 2001 used its authority under § 5 of the articles of association and decided to increase the stock capital by €1,130,518 for a contribution in kind by issuing 1,130,518 no-par value shares of SinnerSchrader AG. The new shares are vested with a dividend entitlement from 1 January 2001, i.e. 2/3 for the business year 2000/2001. The capital increase was entered in the Commercial Register on 19 November 2001. The issue price from the first capital increase was €31.57 per no-par value share, and from the second capital increase, €2.71 per no-par value share. Together with the cash component, this results in a total value of DM 35,990,079.87 or €18,401,435.64.

The report of the audit of the contribution in kind under § 205 para. 3 in conjunction with § 34 para. 2 of the Stock Corporation Act (AktG) was prepared by Busch - Dr. Müller und Partner OHG, Wirtschaftsprüfungsgesellschaft, Hamburg.

For the audit report, please refer to the section "Capital structure/increases of non-cash capital of NetMatic"

Employee shareholding scheme

As part of the contribution of capital agreement, 5% of the shares to be issued to the sellers were set aside for an employee shareholding scheme for the operation of option or purchase rights for the former employees of NetMatic. The shareholders of NetMatic have set up a Partnership under the Civil Code (GbR) specifically for the distribution of no-par-value shares of SinnerSchrader AG to employees of NetMatic Internet/Intranet Solutions GmbH who were employed at the GmbH before the contribution of shares into SinnerSchrader AG.

Below are the essential elements of the option agreement between the GbR and the allottees (former NetMatic employees):

The allottees receive the option rights from this GbR. One option right entitles the purchase of one share of SinnerSchrader AG from the GbR. The granting of the option rights and the purchase is done without consideration.

Each allottee can exercise up to 20% of their option rights in 2002 at the earliest, a further 30% in 2003 and the remaining 50% in 2004.

The option rights lapse if the allottee does not exercise his option rights in full or in due time. The allottee exercises his or her option rights by means of a written declaration ("Purchase declaration") to the GbR. The allottee is not entitled to resell the option rights. Until exercise of the option rights, the allottee is not entitled to claim dividends or other distributions arising from the shares on which the option rights are based.

The granted option rights are non-transferrable as long as they are not exercised. The allottee is not permitted to dispose of option rights in any other way that is financially equivalent to the sale of the option rights. If the employment is terminated, the option rights lapse assuming they have not yet been exercised by the employment termination date ("Termination date"). If the option rights are not exercised by 31 December 2004, the option rights lapse.

Prohibition on disposals/market protection clause

The total of 1,567,764 new no-par value shares from the increases in non-cash capital are subject to an absolute prohibition on disposals. The new no-par value shares are vested with the following lock-up periods:

no-par value shares	Lock-up period	WKN
682,306	31 December 2001	515 591
327,850	30 April 2002	723 956
278,806	31 December 2002	515 592
278,802	31 December 2003	515 593
1,567,764		

Under the contribution of capital agreement, the shareholders of NetMatic have promised SinnerSchrader AG not to sell any shares transferred to them to cover the purchase price within the period specified in each case or to sell them in any other way, or to perform transactions, especially transactions in derivative or other financial instruments (e.g. pledging, lending, assignments or transfers of property for security – with the exception of secondary liabilities normal for banks within the bounds of the general terms of business of the banks), whose financial effect is tantamount to the measures described above.

On the request of one party on the seller side, SinnerSchrader AG declared in February 2001 its agreement in respect of the assignment of all purchase price claims of this party and delivered the shares to the assignee, a bank. The bank has submitted to the same restrictions on disposal that were agreed for this party on the seller side.

The sellers have also undertaken only to sell the SinnerSchrader shares on expiry of the respective lock-up periods where this will not harm the market price and – in the event of more than 10,000 shares – to notify this intention to the Company in advance.

Evidencing/safekeeping

The new shares from the increases in non-cash capital are evidenced in the form of a global certificate deposited with Clearstream Banking, Frankfurt am Main, (formerly Deutsche Börse Clearing AG).

The authorised subscribers, i.e. the contributing shareholders of NetMatic, are credited to the collective safe custody account. The new SinnerSchrader shares are kept in safe custody for the lock-up periods defined in the contribution of capital agreement. To ensure adherence to the lock-up periods, the deposited shares are booked with a separate securities code number (WKN) according to the respective lock-up period (see section “Prohibition on disposals/market protection clause”).

On expiry of the respective lock-up, the respective shares are put on an equal footing with the existing SinnerSchrader shares WKN 514 190.

Admission/trading/code numbers

For the ordinary bearer shares of SinnerSchrader AG that are the subject of this prospectus, admission to the Regulated Market takes place with the start of trading in the Neuer Markt segment on the Frankfurt Stock Exchange on 27 December 2001.

For the 682,306 new no-par value shares that are locked up until 31 December 2001 (see section "Prohibition on disposals/market protection clause"), start of trading and inclusion in the existing quotation (WKN 514 190) for the 2 January 2002 has been applied for. The remaining parts of 327,850 (30.4.02), 278,802 (31.12.02) and 278,802 (31.12.03) new shares subject to the prohibition on disposals will be included in the existing quotation on expiry of the respective lock-up period.

German Securities code number:	514 190
Interim securities code number for the new shares subject to the prohibition on disposals (see section "Prohibition on disposals/market protection clause")	515 591 723 956 515 592 515 593
ISIN code:	DE0005141907
Stock exchange abbreviation:	SZZ

Designated Sponsors

The Company has asked Commerzbank AG and Joh. Berenberg, Gossler & Co., Berenberg Bank to assume the function of Designated Sponsor.

Risk factors

Before deciding to purchase the shares of the Company, investors should carefully read and consider the following points together with the other information contained in this prospectus. The risk factors outlined below can have a negative effect on the profit and financial position of SinnerSchrader and cause SinnerSchrader to miss its targets for the future development of the Company.

Corporate risks

Economic trend

The general economic trend influences the volume of investment in e-business solutions, outlays for online advertising and related services. A further deterioration in the economic environment could distinctly reduce the market volume addressed by SinnerSchrader – in terms of quantity and price. The capacity reduction measures necessary to respond to such a development could only be taken with a certain time-lag and would lead to additional costs for restructuring measures.

Customer structure

SinnerSchrader generates a significant part of its revenue with a few clients. A loss of business with one of these clients could only be compensated, if at all, after a time-lag during which it would not be possible to reduce costs correspondingly.
In the business year ending 31 August 2001, the largest customer was responsible for a 31% share of total turnover.
Even the loss of business with a complete group of customers can have the consequences menioned above.
Business with companies in the New Economy still amounted to an approximate 35% share of SinnerSchrader's turnover in the business year 1999/2000. This proportion dropped by 6% in the business year 2000/2001 and at present lies well below that mark.

Sales plan uncertainties

Revenue in the business conducted by SinnerSchrader is not secured by long-term contracts and generally arises on the basis of single orders with a limited time horizon. Sales forecasts are therefore subject to a high degree of uncertainty.

Risks in the completion of project business

In the course of project work for its clients, SinnerSchrader in some cases does a large amount of work in advance without receiving corresponding advance payments. The inability or unwillingness of individual clients to pay bills for services already provided could have a negative impact on the financial position of SinnerSchrader.

Estimation of project costs

SinnerSchrader generates a considerable part of its revenue under fixed-price agreements. If the cost estimates for the discharge of the respective projects are not met, unanticipated losses can occur. In addition, under project contracts SinnerSchrader takes on customary warranty and liability obligations from which considerable consequential costs could result for individual projects.

Image
SinnerSchrader takes on projects which have a wide-ranging impact. Quality deficiencies in work delivered could therefore lead to negative publicity which could negatively affect the ability of SinnerSchrader to sell its services and consequently significantly impair the future development of business.

Dependency on qualified personnel
The performance of SinnerSchrader depends to a large extent on the skills and motivation of its staff. Certain key employees are particularly important. The failure to achieve the objective of tying these employees to the company or continually finding qualified staff for SinnerSchrader could negatively and significantly influence the success of SinnerSchrader.

Risks of acquisition
In the past SinnerSchrader has taken over companies by way of acquisition and plans to do so in the future. The success of acquisitions depends on to what extent the enterprise taken over is successfully integrated in the existing organisation and the targeted synergies are achieved. If the integration efforts are not successful the value of an acquired company can reduce considerably and entail the need for extraordinary depreciation and amortisation charges.

Furthermore, the American statutory accounting rules (US-GAAP) relating, among other things, to the depreciation of goodwill resulting from mergers have changed. Under the new rule, goodwill is no longer to be depreciated linearly according to a schedule, but is to be subjected to a value test once a year and, if a reduction in value is determined, depreciated accordingly. SinnerSchrader will apply the new rules for the first time in the business year 2001/2002. When the rule is applied for the first time, the depreciation figure may be significantly greater than the previous scheduled depreciation amount and this would have a correspondingly negative effect on the profit for the year.

Risks relating to the industry

Rapid technological change
The market for the products and services of SinnerSchrader is characterised by rapid technological change, particularly in software and hardware products, new industrial standards, frequent announcements of new products and services and changing customer requirements. SinnerSchrader is accordingly obliged to adjust to the rapidly changing technologies and industrial standards and adapt its products and services to meet the changing needs of its customers. The integration of new technologies and the continued development of products and services are in line with the demands of customers and the industry and represent considerable investment and personnel cost for the Group. In addition, technological change presents a risk of being unable to properly assess the consequences and effects of new technologies. There is a risk that the Group will not be able to adapt its products and services quickly enough to the changing requirements. A misjudgement on the part of the Group in developing its products and services to accommodate new technologies and customer requirements could have serious negative repercussions for the business, financial and profit position of the Group.

Government regulation and legal uncertainties
There are an increasing number of laws, regulations and guidelines relating to the Internet. In addition, a number of governments and authorities around the world are considering introducing further statutory regulations. Certain countries have introduced laws, regulations and guidelines concerning the Internet that relate to the responsibility for information obtained from or disseminated via the Internet, the regulation of the content of such information, the private sphere of the users and taxation. Further statutory and regulatory initiatives from other countries are expected in these areas. Moreover, the quality of products and services offered via the Internet will probably be the subject of regulation in some countries. In addition, uncertainty and a state of flux prevails regarding the applicability of present legislation to such issues as intellectual property rights and patent violation, copyright, trade marks, business secrets, violation of accepted moral standards, libel, consumer protection, labour law and contract law and the individual's private sphere. The influence of developments in each of these areas on the Group's business and financial position and also its earnings performance could be substantial, but would depend upon when and in what form they were introduced. Moreover, the present laws with regard to the protection of the private sphere and copyright in certain European countries could have an adverse effect on the Group's business, financial and earnings position, as could other draft legislation in the United States and Europe that might affect the Group's ability to collect and process data relating to individuals and will extend the protection afforded by copyright law to digitally transmitted documents.

Further expansion of the Internet
The future success of companies like SinnerSchrader, which are active in the Internet area, will basically depend upon the extent to which use of the Internet and the Web continues to increase. For the spread of electronic commerce and for a rise in the charges for online services, and also for turnover on the Internet, the high growth rates for Internet use have to be maintained. It is important at the same time that the acceptance of and demand for electronic commerce and other services continue to increase. However, a development of this kind cannot be predicted with certainty. Due to various risks bound up with the Internet, such as inadequate technologies for ensuring security, lack of user-friendliness, overloading of the network, varying service quality, absence of reasonably-priced high-speed services, inadequate provision of the necessary infrastructure, extensive regulation, uncertainty regarding protection of intellectual property or the registered domains, and other legal issues, as well as the timely development and commercial launch of improved services, could all delay the general acceptance of the Internet. A decline in the growth rate for Internet use might have quite an appreciable negative impact on the Group's business and financial position and its earnings performance.

General facts about the Company

Formation, registered office and subject

Following a preliminary phase of just under a year as a Partnership under the Civil Code (GbR), Sinner + Schrader Interactive Marketing GmbH, based in Hamburg, was established by Oliver Sinner and Matthias Schrader on 12 February 1997 through a company agreement. The Company was entered into the Commercial Register on 3 March 1997 under the number HRB 63663. Barely one year later, Oliver Sinner and Matthias Schrader, together with Sebastian Dröber and Detlef Wichmann, founded Sinner + Schrader Interactive Software GmbH, also based in Hamburg, with the company agreement of 18 December 1997. The Company was entered in the Commercial Register on 4 February 1998 under the number HRB 66482.

With the object of merging the two companies to form a public limited company and also to broaden the circle of shareholders, Messrs. Sinner, Schrader, Dröber and Wichmann used a notary-attested contract of assignment of 10 August 1999 to transfer their holdings in sinner+schrader Interactive Marketing GmbH and sinner+schrader Interactive Software GmbH on a trust basis to ALEXANDRA Verwaltungsgesellschaft mbH, Hallbergmoos (“ALEXANDRA GmbH”). Through the articles of association of July 19, 1999, the latter – as the sole founder – established Desideria Vermögensverwaltung GmbH (“Desideria GmbH”), with registered office in Hallbergmoos, this being the legal predecessor of SinnerSchrader Aktiengesellschaft.

Desideria GmbH was entered into the Commercial Register of the lower regional court (Amtsgericht) of Munich on 5 August 1999, under the number HRB 126842. Through a notary-attested contract of assignment of 27 August 1999, ALEXANDRA GmbH assigned its holding in Desideria GmbH to Debby Vermögensverwaltung GmbH, Hallbergmoos (“Debby GmbH”). The following legal acts concerning Desideria GmbH were effected the same day with the object of setting up SinnerSchrader Aktiengesellschaft in its present form:

1. The stock capital of Desideria GmbH was increased by €7,475,000 from €25,000 to €7,500,000. Both Debby GmbH and Dolf Vermögensverwaltung GmbH, Hallbergmoos, (“Dolf GmbH”) were permitted to take over the stock capital. The initial contribution of Debby GmbH was effected in cash form, while that of Dolf GmbH was effected by the contribution of shareholdings in sinner+schrader Interactive Marketing GmbH and sinner+schrader Interactive Software GmbH through ALEXANDRA GmbH. 80% of the stock capital was held by Dolf GmbH and 20% by Debby GmbH (see also “SinnerSchrader Aktiengesellschaft - capital structure”).

2. The Shareholders' Meeting of shareholders subsequently resolved to convert Desideria GmbH into a public limited company (Aktiengesellschaft) under § 190 et seq., German Conversion Act (Umwandlungsgesetz) and also to change the name to “SinnerSchrader Aktiengesellschaft“. According to the formation report of 6 September 1999, the founders of the public limited company were the two shareholders Debby GmbH and Dolf GmbH. The formation expenses of €100,000 were borne by the Company. The

report of the Executive Board and the first Supervisory Board of 6 September 1999 on the audit of the formation established the following:

"The statements of the founders concerning the takeover of shares, the contributions to the stock capital and the adequacy of the assets transferred as a result of the change of legal form are correct and complete. The value of the assets transferred as a result of the change of legal form, less the liabilities transferred, is equivalent to the nominal amount of the shares granted for this purpose."

The audit of the formation of SinnerSchrader Aktiengesellschaft was carried out by ARTHUR ANDERSEN Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft mbH, Hamburg. The auditors of the formation were appointed by a resolution of the lower regional court of Munich on 2 September 1999. The following statement was published in the report on the audit of 9 September 1999:

"Having completed our examination as in duty bound under §§ 197, 245, para. 1 and § 220, para. 3 UmwG in conjunction with § 34 of the Stock Corporation Act (AktG), we confirm, subject to the reservation that the €7,500,000 capital increase of Desideria Vermögensverwaltung of Munich is entered into the Commercial Register and thus becomes effective, and based on the documents, books, writings and the explanations and evidence presented to us, that

1. the statements of the founders in the formation report are correct and complete. This holds true in particular for the statements relating to the takeover of shares, the contributions to the stock capital through the change in legal form, and to the stipulations under §§ 26 and 27 of the Stock Corporation Act (AktG);

2. the actual value of the assets transferred as a result of the change of legal form, less the transferred liabilities of the converted SinnerSchrader Aktiengesellschaft, is at least equivalent to the lowest issue price of the shares of altogether €7,500,000 to be granted for this purpose. The value of the capital raised is guaranteed".

The change of legal form into that of a public limited company was entered into the Commercial Register at the lower regional court of Munich on 6 October 1999. The Company bears the name SinnerSchrader Aktiengesellschaft under the number HRB 127699.

The extraordinary Shareholders' Meeting of shareholders of SinnerSchrader Aktiengesellschaft resolved on 26 October 1999 to move the registered office of the Company to Hamburg. This change was entered in the Commercial Register at the lower regional court of Hamburg on 22 February 2000 under the number HRB 74455.

Registered office of the Company

The principal place of business of the Company is Hamburg. The administrative address of the Company is Gasstrasse 8–16, 22761 Hamburg.

Subject of the Company according to its articles of association is

(1)

a) the acquisition, holding and, if necessary, disposal of shares of

- Sinner + Schrader Interactive Marketing GmbH, AG Hamburg, HR-B 63 663
- Sinner + Schrader Interactive Software GmbH, AG Hamburg, HR-B 66 482

b) the formation, acquisition, holding, administration and, if necessary, disposal of further equity participations in Germany and elsewhere (in every possible legal form) whose business object is

- the development and implementation of schemes (including software) for selling goods and services via the Internet or other new media, and/or
- services and support for such selling outlets, and/or
- the acquisition, holding, administration and exploitation of such enterprises and equity interests in such enterprises or enterprises in the area of Internet or electronic trading (e-commerce).

(2) The Company may establish outlets in Germany and elsewhere, may transfer the management to associated companies and also carry on all other types of business that directly or indirectly serve to promote its business object. The Company may itself also carry on business of the type mentioned in paragraph 1b.

Capital structure

Share capital

At that time of its foundation on 19 July 1999 the share capital of Desideria GmbH amounted to €25,000, 100% of which was held by ALEXANDRA GmbH. The capital was 50% paid up. By notarised transfer agreement dated 27 August 1999 ALEXANDRA GmbH sold a share in Desideria GmbH amounting to €25,000 to Debby GmbH and ceded its business share. Debby GmbH thus became the sole shareholder of Desideria GmbH. By shareholder resolution of 27 August 1999 it was decided to increase the capital of Desideria GmbH of €25,000 by €7,475,000 to €7,500,000 by issuing one participating share of €1,475,000 and one participating share of €6,000,000. Debby GmbH was permitted to take over the participating share of €1,475,000. The contribution was made by means of a cash payment of €2,020,168, with the premium of €545,168 being appropriated to the capital reserve of Desideria GmbH and the outstanding contribution obligation of 50% of the original participating share being paid. Dolf GmbH was permitted to take over the participating share of €6,000,000. The contribution was made by transfer of in each case 100% of the shares amounting to in each case nominally DM 50,000 in Sinner + Schrader Interactive Marketing

GmbH, Hamburg, and Sinner + Schrader Interactive Software GmbH, Hamburg, by ALEXANDRA GmbH (contribution in kind). ALEXANDRA GmbH did not acquire a participating share but fulfilled the contribution obligation of Dolf GmbH as a third party.

The shares in Sinner + Schrader Interactive Marketing GmbH were originally held by Oliver Sinner and Matthias Schrader, with in each case DM 25,000. The shares in Sinner + Schrader Interactive Software GmbH were originally held by the shareholders Oliver Sinner, Matthias Schrader, Detlef Wichmann and Sebastian Dröber, with in each case 25%, and were transferred on 10 August 1999 by notarised transfer agreement to ALEXANDRA GmbH. For the purpose of the capital increase the transferred shares were ceded by ALEXANDRA GmbH to Desideria GmbH along with all dividend entitlements for the business year 1999 and all other rights and entitlements in respect of shares in the business. ARTHUR ANDERSEN Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, was appointed as auditor for the contribution in kind. On 6 September 1999 the auditor of the contribution in kind issued the following certification on the sustainable value of the contribution in kind:

“As appointed and instructed we examined the sustainable value of the contribution in kind.

According to the conclusive result of our work we have certified on the basis of the certificates and documents presented to us as well as the information and evidence furnished to us, and applying the considerations and methods outlined in this report, that the value of the GmbH shares in Sinner + Schrader Interactive Marketing GmbH and in Sinner + Schrader Interactive Software GmbH used for the contribution in kind reaches the nominal value of the GmbH shares granted in return of €6,000,000.

The certificate issued by us is exclusively for the purpose of presentation to the Court of Registry.”

By notarised trusteeship agreement of 30 September 1999 it was agreed that Debby GmbH will hold its business share of €1,475,000 taken over by way of the capital increase partially to the amount of €15,000 in trusteeship for Dolf GmbH.

At the time of the conversion of Desideria GmbH into a stock corporation the limited-liability company share capital of €7,500,000 was thus converted into stock capital of €7,500,000.

The extraordinary Shareholders’ Meeting of 4 October 1999 decided among other things to increase the stock capital of the Company of €7,500,000 by €2,250,000 to €9,750,000 against cash contribution. The increase was effected by issuing 2,250,000 new no-par value bearer shares with an arithmetical share in the stock capital of €1 per share. The 2,250,000 no-par value shares were offered for sale in the period 26 October 1999 to 29 October 1999 with a price range of €9 to €12. The issue price was fixed at €12 per no-par value share. The implementation of the capital increase was entered in the Commercial Register on 28 October 1999.

By resolution of the Shareholders' Meeting of 4 October 1999 the Management Board was authorised with the approval of the Supervisory Board to increase the stock capital by altogether up to €225,000 by 30 September 2004. A subscription right of the shareholders is excluded. This resolution was entered in the Commercial Register on 28 October 1999. On 20 November 1999 the Management Board with the approval of the Supervisory Board made use of this authorisation and increased the stock capital from €9,750,000 by €225,000 to €9,975,000 against cash contribution. The increase was effected by issuing 225,000 new no-par value bearer shares with an arithmetical share in the stock capital of €1 per share at an issue price of €12 per share for the purpose of servicing the exercised higher allocation option (Greenshoe) which was granted to the consortium leader in the implementation of the share placement. The implementation of the capital increase was entered in the Commercial Register on 13 December 1999.

Capital increases by contribution in kind at NetMatic

Under § 5 para. 1 the Management Board was authorised to increase the stock capital of the Company with the approval of the Supervisory Board once or several times in the period up to 30 September 2004 by up to altogether €4,650,000 by issuing new no-par value bearer shares against cash contributions or contributions in kind (approved capital II). In this connection as many no-par value shares are to be issued as are required to increase the number of shares in the same proportion as the stock capital. The Management Board is authorised in each case with the approval of the Supervisory Board to decide on the exclusion of a subscription right.

On 12 December 2000 the Management Board, with the approval of the Supervisory Board, partially made use of this authorisation and decided to increase the stock capital by €437,246 to €10,412.24 by issuing 437,246 new no-par value bearer shares excluding a subscription right of the shareholders. The capital increase served the purpose of granting no-par value shares in SinnerSchrader AG to the shareholders of NetMatic for paying the first purchase price instalment in accordance with the contribution agreement of 18 September 2000. The implementation of the capital increase by contribution in kind was entered in the Commercial Register on 10 January 2001.

To pay the second purchase price instalment to the contributors of NetMatic, the Management Board with the approval of the Supervisory Board decided on 18 October 2001 to make partial use of the authorisation under § 5 para. 1 of the Articles of Association and to increase the stock capital of the Company by €1,130,518 by issuing 1,130,518 new no-par value bearer shares excluding subscription right. The implementation of the capital increase by contribution in kind was entered in the Commercial Register on 19 November 2001.

In connection with the 100% contribution of the NetMatic shares against the issue of new shares in SinnerSchrader AG, Busch – Dr. Müller und Partner OHG Wirtschaftsprüfungsgesellschaft, Hamburg, issued the following audit opinion on 11 October 2001:

"Result of audit according to the conclusive finding of our due and proper audit in accordance with §§ 205 para. 3, 34 para. 2 of the Stock Corporation Act (AktG)

On the basis of the certificates and documents presented to us and the explanations and evidence provided to us we confirm that

a) the value of the assets contributed by way of capital increase with contributions in kind at least reaches the lowest issue amount of the shares to be granted in exchange,

b) the value of the assets to be purchased also reaches the higher issue amount of the shares and the additional cash payment."

The stock capital of the Company now amounts to €11,542,764,00 and is divided into 11,542,764 shares which have no par value. The arithmetic share in the stock capital amounts to €1 per share. The shares are securitised in a global certificates which are deposited with Clearstream Banking (formerly Deutsche Börse Clearing AG), Frankfurt am Main. The entitlement of the shareholder to individual securitisation is excluded under § 4 para. 3 of the Articles of Association.

Approved capital

After implementation of the increases in capital by contribution in kind in connection with the contribution of NetMatic Internet/Intranet SolutionsGmbH, Hamburg, an approved capital of €3,082,236 remains.

Conditional capital

Employee stock options plan 1999

By resolution of the Shareholders' Meeting of 8 October 1999 with a supplement dated 26 October 1999 the stock capital of SinnerSchrader AG was conditionally increased by up to €375,000 by the issue of 375,000 no-par value shares, with up to

- 40,000 new no-par value bearer shares
- being issued to the members of the Company's Management Board,
- 10,000 new no-par value bearer shares being issued to the members of the managements of affiliated companies,
- 55,000 new no-par value bearer shares being issued to the Company's employees, and
- 270,000 new no-par value bearer shares being issued to the employees of affiliated companies

(conditional capital I). In this connection as many shares are issued as are required to increase the number of shares in the same proportion as the stock capital.

The conditional capital increase serves the purpose of granting subscription rights to the above-mentioned persons. If persons belong to several of the groups designated above no double allocations take place. Subscription rights may only be granted to members of the Management Board exclusively in respect of shares in the allocation maintained for members of the Management Board. Subscription rights may be granted to members of the management of affiliated companies exclusively in respect of shares in the allocation maintained for members of the management of affiliated companies.

The preemptive shares will be issued in each case to the amount which corresponds to the average share prices noted in the last 10 trading days before the respective granting of the subscription right on the Frankfurt securities exchange for voting shares of the Company fully participating in the distribution of a profit and of the Company's assets plus 20 per cent. For subscription rights which were granted or promised before the Company's flotation the subscription price amounts to the issue price plus 20 per cent (subscription price). The subscription rights can only be exercised if the closing price of the Company's shares determined on the Frankfurt securities exchange on the date of the exercise of the subscription right at least reaches the subscripton price (profit target). In general and in the individual case the Supervisory Board may specify further profit targets for the subscription rights granted to the members of the Management Board. In general and in the individual case the Management Board may specify further profit targets for the subscription rights granted to the members of the management of an affiliated company, employees of the Company or employees of an affiliated company.

The subscription rights per person entitled to subscribe may be exercised in respect of one third at the earliest two, in respect of a further third at the earliest three and in the respect of a further third at the earliest four years after being granted (waiting period). The subscription rights must be exercised at the latest six years after having been granted. The exercise of subscription rights is permissible annually only in the first 20 trading days after the announcement of the results for the third quarter (exercise period).

The conditional capital increase will only be implemented insofar as subscription rights are exercised. The preemptive shares will participate in the profit as from the beginning of the business year in which they are issued. The Supervisory Board is authorised to establish the further details of the granting of subscription rights to members of the Management Board of the Company. The Management Board is authorised to establish the further details of the granting of subscription rights to members of the management of an affiliated company, employees of the Company or employees of an affiliated company.

For the implementation of the subscription rights granted to members of the Management Board of the Company, the Supervisory Board is authorised within five years as from registration of the above-mentioned capital increase (purchase period) to issue the warrants securitising the subscription rights to above-mentioned persons and at the same time to establish the further details of the option conditions. For the implementation of the subscription rights granted to the members of the management of an affiliated company, employees of the Company or employees of an affiliated company, the Management Board is authorised within five years after registration of the above-mentioned capital increase (purchase period) to establish the warrants securitising subscription rights to above-mentioned persons and at the same time the further details of the option conditions.

The entry in the Commercial Register was made on 8 November 1999.

Of the option rights available, 226,800 option rights had been issued to employees of the Company and of affiliated companies by 31 August 2001, at an average issue price of €25.03. Up to now none of these option rights have been exercised.

Employee stock option plan 2000

By resolution of the Shareholders' Meeting of 12 December 2000 the stock capital of SinnerSchrader AG was increased conditionally by a further up to €375,000 by issuing 375,000no-par value shares, with up to

a) 40,000 new no-par value bearer shares being issued to the members of the Management Board of the Company,

b) 40,000 new no-par value bearer shares being issued to the members of the management of affiliated companies,

c) 55,000 new no-par value bearer shares being issued to the employees of the Company, and

d) 240,000 new no-par value bearer shares being issued to the employees of affiliated companies

(conditional capital II). In this connection as many no-par value shares are issued as are required to increase the number of shares in the same proportion as the stock capital.

The individual members of the Management Board may wholly or partially forego the options intended for them in favour of members of the management of affiliated companies, insofar as these are not the same persons as the members of the Management Board of the Company, in favour of employees of the Company and in favour of employees of affiliated companies. This would have the effect that the number of no-par value shares of the respective group (b to d), in favour of which the members of the Management Board forewent their options, would increase, while the number of no-par value shares intended for the members of the Management Board (a) would decrease.

The conditional capital increase serves the purpose of granting subscription rights to the above-mentioned persons. If persons belong to several of the groups designated above no double allocations take place. Subscription rights may only be granted to members of the Management Board exclusively in respect of shares in the allocation maintained for members of the Management Board. Subscription rights may be granted to members of the management of affiliated companies exclusively in respect of shares in the allocation maintained for members of the management of affiliated companies. The preemptive shares will be issued in each case to the amount which corresponds to the average share prices noted in the last 10 trading days before the respective granting of the subscription right on the Frankfurt Stock Exchange for voting shares of the Company fully participating in the distribution of a profit and of the Company's assets plus 20 per cent. The subscription rights can only be exercised if the closing price of the Company's shares determined on the Frankfurt Stock Exchange at least reaches the subscripton price (profit target). In general and in the individual case the Supervisory Board may specify further profit targets for the subscription rights granted to the members of the management of an affiliated company, employees of the Company or employees of an affiliated company.

The subscription rights per person entitled to subscribe may be exercised in respect of one third at the earliest two, in respect of a further third at the earliest three and in the respect of a further third at the earliest four years after being granted (waiting period). The subscription rights must be exercised at the latest six years after having been granted. The exercise of subscription rights is permissible annually only in the first 20 trading days after the announcement of the results for the respective quarter (exercise period). The announcement of the annual financial statements is at the same time the announcement of the results for the fourth quarter.

The conditional capital increase will only be implemented insofar as subscription rights are exercised. The preemptive shares will participate in the profit as from the beginning of the business year in which they are issued. The Supervisory Board is authorised to establish the further details of the granting of subscription rights to members of the Management Board of the Company. The Management Board is authorised to establish the further details of the granting of subscription rights to members of the management of an affiliated company, employees of the Company or employees of an affiliated company.

For the implementation of the subscription rights granted to members of the Management Board of the Company, the Supervisory Board is authorised within five years as from registration of the above-mentioned capital increase (purchase period) to issue the warrants securitising the subscription rights to above-mentioned persons and at the same time to establish the further details of the option conditions. For the implementation of the subscription rights granted to the members of the management of an affiliated company, the Management Board is authorised within five years after registration of the above-mentioned capital increase (purchase period) to establish the warrants securitising subscription rights to above-mentioned persons and at the same time the further details of the option conditions.

The entry in the Commercial Register was made on 10 January 2001.

Of the option rights available, none had been issued by 31 August 2001.

Purchase of own shares/repurchase

Under § 71 para. (1) No. 8 of the Stock Corporation Act (AktG) the Company is authorised to purchase own shares up to a level of 10% of the current stock capital. The purchase may take place on the stock market or by means of a public purchase offer to all. If the purchase is made on the stock market the purchase price (excluding incidental purchase costs) must not be more than 10% higher or lower than the Company's share price determined on the day of trading by the opening auction in Xetra trading (or a comparable successor system). In a public purchase offer the offered purchase price or the limit values of the offered purchase price range per share (excluding incidental purchase costs) must not be more than 15% higher or lower than the final share price in Xetra trading (or a comparable successor system) three stock-exchange-trading days before the date of the public announcement. If the number of shares applied for exceeds the volume of the offer, acceptance will take place according to quotas. Provision can be made for preferential acceptance of low quantities up to 100 shares applied for per shareholder.

The authorisation to purchase own shares will be valid until 17 June 2003. It may be exercised in full or in several partial amounts and in pursuit of one or several purposes by the Company, its group member companies or, for their account, by third parties. The authorisation may not be used by the Company for trading in its own shares.

To the exclusion of shareholder subscription rights and with the approval of the Company's Supervisory Board the shares purchased on the basis of this authorisation may in the cases from a) to d):

a) be sold otherwise than on the stock market or by an offer to all shareholders;
b) be used to introduce shares of the Company on foreign stock exchanges on which they are not listed;
c) may be offered, to the exclusion of shareholder subscription rights, in connection with business combinations or in the acquisition of companies or equity participations;
d) may be transferred to members of the Company's Management Board, members of the management of affiliated companies, employees of the Company and employees of affiliated companies for the purpose of servicing the option schemes passed by the Shareholders' Meeting resolution of 26 October 1999 and by Shareholders' Meeting resolution of 12 December 2000;
e) may be withdrawn in part or in total without a further Shareholders' Meeting resolution.

The price at which the shares are sold in exercising the authorisation under a) or are introduced to other stock exchanges under b) must not be more than 5% below the stock market price of the Company's shares at the time of sale (excluding incidental costs). In addition, in these cases the total of the shares to be sold together with the shares which under § 186 para. (3), sentence 4 of the Stock Corporation Act (Aktiengesetz) are issued on the basis of the authorisation to increase the capital with subscription right exclusion or on the basis of option or conversion rights issued to the exclusion of shareholder subscription rights must not exceed the limit of altogether 10% of the stock capital at the time of sale or issue of the shares.

The authorisation to sell own shares may be exercised once or several times, wholly or in part, individually or jointly.

Shareholder structure

At the time of the conversion of Desideria GmbH into a stock corporation the limited-liability company share capital and the then stock capital of €7,500,000 was taken over by Dolf GmbH and Debby GmbH and held in trust for third-party account, with €1,500,000 being held by Dolf GmbH and €6,000,000 by Debby GmbH (see also section: Capital structure). In connection with the establishment of a management equity participation it was agreed in a further step that Debby would hold stock capital of €15,000 in trust for Dolf. The trustee relationships were in part dissolved in 2001 and the shares transferred to the respective trustors, after which Dolf holds shares of a management partnership, Debby the shares of strategic investors.

After registration of the capital increase by contribution in kind to the amount of €1,130,518 the Company's stock capital totals €11,542,764. It is divided into 11,542,764 no-par value shares with an arithmetical share in the stock capital of €1 per share.

In addition to the shares of corporate officers listed in detail, summarised shareholder groups are listed in the shareholder structure presented below. According to the knowledge of the Company, no individual shareholder holds more than 5% of the current stock capital beyond the shares shown.

	Number	**%**
Shareholder group Oliver Sinner	2,471,925	21.41
Oliver Sinner (Management Board)	2,347,000	20.33
Other shareholders	124,925	1.08
Shareholder group Matthias Schrader	2,493,425	21.60
Matthias Schrader (Management Board)	2,137,675	18.52
Other shareholders	355,750	3.08
Detlef Wichmann (Management Board)	323,100	2.80
Thomas Dyckhoff (Management Board)	49,950	0.43
Dr. Markus Conrad (Supervisory Board)	177,500	1.54
Fritz Seikowsky (Supervisory Board)	4,000	0.03
Sebastian Dröber	343,100	2.97
Dolf GmbH	70,400	0.61
Debby GmbH	1,297,500	11.24
Former shareholders of Netmatic	1,567,764	13.58
of whom active shareholders	1,034,400	8.96
of whom partnership (staff shareholding scheme)	80,818	0.70
Distributed holdings	2,744,100	23.77
Total	**11,542,764**	**100**

The corporate officers (with the exception of Mr Seikowsky) including their shareholder groups, Mr Dröber and the further beneficiaries of the management equity participation held in trust by Dolf and the strategic investors whose shares are held in trust by Debby, have mutually undertaken in an agreement to establish in particular prior to each Shareholders' Meeting a joint voting strategy and the joint exercise of rights. Shareholders, perhaps with family members, form a shareholder group. The shareholders in a shareholder group exercise their rights on the basis of a shareholder group resolution (by simple majority); a shareholder group is represented actively and passively by the shareholder with the biggest share in the capital.

In a further agreement the members of the Management Board of SinnerSchrader AG (Messrs Sinner, Schrader, Dyckhoff, Wichmann) and Mr Dröber, as well as the active former shareholders of Netmatic, have mutually undertaken to establish in particular prior to each Shareholders' Meeting a joint voting strategy and the joint exercise of rights.

Corporate bodies

Management Board

Under the Articles of Association the Management Board of the Company consists of at least two persons. The Supervisory Board determines the number of Management Board members. The Supervisory Board may appoint deputy members and nominate a chairman whose vote will determine the outcome if there is a tied vote.

The members of the Management Board are currently:

Oliver Sinner, Hamburg
Matthias Schrader, Hamburg
Detlef Wichmann, Hamburg
Thomas Dyckhoff, Hamburg

The Supervisory Board has not appointed a chairman of the Management Board. Oliver Sinner and Matthias Schrader run the body jointly.

Oliver Sinner (born 1968), Hamburg, is jointly responsible with Mr Schrader for overall performance and individually for the Personnel, Sales and Public Relations sectors. He studied law and business economics in Hamburg. From 1993 to 1996 he mainly handled matters relating to New Media in the service of Hamburg-based Otto Versand. In 1996 he co-founded sinner + schrader Interactive Marketing GbR which was subsequently contributed to SinnerSchrader GmbH.

Matthias Schrader (born 1967), Hamburg, is jointly responsible with Mr Sinner for overall performance and individually for the Strategy, Business Development and Mergers & Acquistions sectors as well as for the productive sectors Consulting/Project Management, Graphics and Text. He studied computer science and history in Hamburg. From 1993 to 1996 he worked as a technical editor for various trade publications and as a freelance consultant in the New Media sector. In 1996 he co-founded sinner + schrader Interactive Marketing GbR which was subsequently contributed into SinnerSchrader GmbH.

Detlef Wichmann (born 1966), Hamburg, is responsible for the Technology, Research and Development, Quality Management and System Administration sectors as well as for the productive sectors Software Development, Front-End Production and Web Mining. He studied technical computer science in Hamburg and worked on his thesis at Star Division. Until 1997 he worked as a software developer and project manager for PINK Software Engineering, GoNet (now Adobe) and as Head of Professional Services at Intershop in Hamburg. In 1997 he entered the management of Sinner + Schrader Interactive Software GmbH.

Thomas Dyckhoff (born 1962) Hamburg, has been financial director of SinnerSchrader AG since October 1999 and is responsible for Accounting, Controlling, Legal Affairs, Treasury, Taxes, Investor Relations and Purchasing. He studied computer science in Karlsruhe and then business administration in Washington D.C. From 1991 to 1998 he was with Daimler-Benz AG, ultimately as Head of Group Reporting, before joining debis Systemhaus GmbH where until

1999 he was Head of Equity Participations. In 1999 he was appointed to the Management Board of SinnerSchrader AG.

The Company is legally represented by two members of the Management Board jointly or by one member of the Management Board together with a corporate officer holding powers of procuration (Prokurist). The Supervisory Board may determine that individual members of the Management Board may represent the Company in legal transactions in which they themselves or other members of the Management Board at the same time represent a third party.

The remuneration granted to the members of the Management Board of SinnerSchrader AG for their activity in the business year 2000/2001 totalled DM 975,548 (previous year DM 949,922)

The Company has neither granted loans to the members of the Management Board nor assumed guarantees or warranties for them.

The following table shows the number of shares in SinnerSchrader AG which are held by the respective member of the Management Board:

Oliver Sinner	2,347,000	no-par value shares
Matthias Schrader	2,137,675	no-par value shares
Thomas Dyckhoff	49,950	no-par value shares
Detlef Wichmann	323,100	no-par value shares

All the members of the Management Board can be reached via the Company's address Gasstrasse 8–16, 22761 Hamburg.

Supervisory Board
Under the Articles of Association the Supervisory Board consists of three members, if employee representative members do not have to be appointed and the Supervisory Board does not consist of a deviating number of members under mandatory statutory regulations.

The members of the Supervisory Board are:

Dr. Markus Conrad, Hamburg, Chairman

Managing Director of Georg Lingenbrink GmbH & Co., Hamburg,
Member of the Supervisory Board of
Tchibo Holding AG, Hamburg,
2000 Blumen New Media AG, Norderstedt

Fritz R. Seikowsky, Munich, Deputy Chairman

Managing Partner der DB Capital Partners; Frankfurt,
Member of the Supervisory Board of
insure.XL GmbH, Munich

Reinhard Pöllath, Attorney-at-Law, Munich

Chairman of the Supervisory Board of
2000 Blumen New Media AG, Norderstedt,

Deutsche Woolworth GmbH & Co. OHG, Frankfurt,

Member of the Supervisory Board of
TA Triumph-Adler AG, Nuremberg,
Wanzl Metallwarenfabrik GmbH, Leipheim,
F-LOG AG, Greven,
Tchibo Holding AG, Hamburg,
Tchibo Frisch-Röst-Kaffee GmbH, Hamburg,
Verwaltungsgesellschaft Otto Versand mbh, Hamburg

Each member of the Supervisory Board receives an amount of €4.000 as remuneration for each full business year. The remuneration for the chairman of the Supervisory Board amounts to double and that for his deputy to one-and-a-half times the amount stated in sentence 1. In the year of the beginning and end of their term of office the members of the Supervisory Board are entitled to receive remuneration as stated in sentence 1 to 2 pro rata temporis. In addition, the members of the Supervisory Board are entitled to reimbursement of cash outlays expended in the exercise of their office and on turnover tax paid on their remuneration and outlays.

By resolution of the Shareholders' Meeting of 18 December 2001 the Management Board was authorised to conclude a financial damage liability insurance (Directors & Officers Insurance, in short D&O insurance) for the members of the Supervisory Board. Accordingly, a new para. (5) is added to § 14 of the Articles of Association with the following wording:

"(5) The Management Board is authorised to conclude to the benefit of the Supervisory Board members a financial damage liability insurance for corporate bodies and senior executives with an annual premium of maximum €50,000 (including all taxes)."
b) A financial damage liability insurance already concluded in the year 2000 is approved up to an annual premium of maximum €50,000 (including all taxes)

This amendment to the Articles of Association has not yet been entered in the Commercial Register.

Remuneration paid to members of the Supervisory Board of SinnerSchrader AG for their activity in the business year 2000/2001 totalled DM 35,205 (previous year DM 35,205)

The Company granted no loans to members of the Supervisory Board nor did it assume any guarantees or other warranties for this group of persons.

The following table shows the number of shares in SinnerSchrader AG which are held by the respective member of the Supervisory Board:

Dr. Markus Conrad	177,500	no-par value shares
Fritz R. Seikowsky	4,000	no-par value shares
Reinhard Pöllath	0	no-par value shares

All the members of the Supervisory Board can be reached via the address of the Company Gasstrasse 8–16, 22761 Hamburg.

Shareholders’ Meeting, voting rights

Shareholders’ Meetings take place regularly, at the domicile of the Company, a German stock exchange location or at another location specified by the Supervisory Board in Lower Saxony or Schleswig-Holstein.

The Shareholders’ Meetings are to be convened in good time so that a period of one month lies between the date of the announcement of a meeting being convened and the day by the end of which under § 16 of the Articles of Association the deposition/registration has to be made, not counting the day of the announcement and day of expiry of the registration period.

Only those shareholders will be entitled to attend the Shareholders’ Meeting and to exercise their voting rights who deposit their shares with the Company, with a German notary public, with a securities depository authorised to accept shares, or at another place specified in the notice convening the meeting, leaving them there until the end of the Shareholders’ Meeting, and who also register. The shares can also be deposited in that with the approval of one of the above-mentioned depositories they are held for the latter in a blocked deposit at a German or foreign bank up to the close of the Shareholders’ Meeting.

Shares must be deposited seven[1] days before the date of the Shareholders’ Meeting. If the shares are not deposited with the Company, the shareholders must register for the Shareholders’ Meeting by submitting to the Company the certificate of deposition or a duplicate at the latest three days before the date of the Shareholders’ Meeting.

Each no-par-value share qualifies for one vote.

Disposition of profit and dividend policy

If the Management Board and the Supervisory Board adopt the annual financial statements they may (§ 20 of the Articles of Association) appropriate to other retained earnings up to 75% of the net income for the year resulting after deduction of amounts which have to be allocated to the statutory reserves and of any loss brought forward, up to a level equivalent to half the stock capital.

The Shareholders’ Meeting decides on the disposition of the unappropriated profit deriving from the annual financial statements.

After the close of the business year the Management Board may with the approval of the Supervisory Board distribute an interim dividend to the shareholders under § 59 of the Stock Corporation Act (AktG).

The annual financial statements for the partial business year 1999 produced an accumulated loss of DM 194,617 which was carried forward.

The annual financial statements adopted for the business year which ended on 31 August 2000 showed an unappropriated profit of DM 118,164.49 which by resolution of the Shareholders’ Meeting of 12 December 2000 was carried forward in full.

[1] Was passed by resolution of the Shareholders’ Meeting of December 18, 2001. This amendment to the Articles of Association has not yet been entered in the Commercial Register

The annual financial statements adopted for the business year which ended on 31 August 2001 showed an unappropriated profit of DM 921,359.44 which by resolution of the Shareholders' Meeting of 18 December 2001 was carried forward in full.

Auditors

The auditors of SinnerSchrader AG are Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Düsternstrasse 1, 20355 Hamburg, who were also appointed as auditors of the Company for the business year 2001/2002.

The annual financial statements of SinnerSchrader AG under the German Commercial Code (HGB) for the business years 1999/2000 and 2000/2001 as well as for the partial business year 1999 were audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, and in each case received an unqualified audit opinion.

The consolidated financial statements of SinnerSchrader AG for the business years 1999/2000 and 2000/2001 and for the partial business year 1999, in each case drawn up in accordance with US-GAAP (General Accepted Accounting Principles), were likewise audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, and in each case received an unqualified audit opinion.

The consolidated financial statements in accordance with US-GAAP of SinnerSchrader Aktiengesellschaft in formation at 31 August 1999 with comparative figures at 31 December 1998 and 1997 were audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, and received an unqualified audit opinion.

The individual sets of annual financial statements in accordance with the German Commercial Code (HGB) of Sinner + Schrader Interactive Marketing GmbH and of Sinner + Schrader Interactive Software GmbH at 31 December 1998 were audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, and in each case received an unqualified audit opinion.

The annual financial statements in accordance with the German Commercial Code (HGB) of NetMatic Internet/Intranet Solutions GmbH at 31 December 2000 with comparative figures at 31 December 1999 were audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Hamburg, and in each case received an unqualified audit opinion.
The annual financial statements in accordance with the German Commercial Code (HGB) of NetMatic Internet/Intranet Solutions GmbH at 31 December 1999 and 1 December 1998 were not audited.

Business year and duration

The business year begins on 1 September and ends on 31 August of the following year. The first business year is a partial business year and ends with the close of 31 August 1999.

The duration of the Company is indefinite.

Announcements

In accordance with the Articles of Association announcements of the Company are made in the Federal Gazette (Bundesanzeiger). In addition, the Company will publish its announcements in one supra-regional mandatory newspaper (überregionales Pflichtblatt) of the Frankfurt Stock Exchange. Publication in the Federal Gazette suffices for the announcement to be legally valid.

Payment offices and depositories

The Company will nominate and announce at least one bank in Germany as a payment office and depository at whose counters the payment of dividends, the exercise of subscription rights and all other measures relating to shares can be conducted. Commerzbank AG and Berenberg Bank are currently payment offices and depositories.

Business activity

SinnerSchrader Group

The SinnerSchrader concern or the SinnerSchrader Group consists of SinnerSchrader Aktiengesellschaft and its subsidiaries (in each case wholly owned) which are SinnerSchrader Interactive Marketing GmbH, Hamburg, SinnerSchrader Interactive Software GmbH, Hamburg, SinnerSchrader Netmatic GmbH, Hamburg, and its wholly owned subsidiary Netmatic Inc., Denver, as well as SinnerSchrader UK Ltd., London, and SinnerSchrader Benelux BV, Rotterdam.

By agreement of 20 October 2001 effective at 1 January 2001 the subsidiary companies SinnerSchrader Interactive Software GmbH and SinnerSchrader Netmatic GmbH (formerly NetMatic Internet/Intranet Solutions GmbH) were merged into SinnerSchrader Interactive Marketing GmbH. By resolution of 28 August 2001 the Company was renamed SinnerSchrader Deutschland GmbH. The application for entry in the Commercial Register was made on 28 August 2001. The entry was made on 5 December 2001.

SinnerSchrader Aktiengesellschaft

SinnerSchrader AG performs the tasks of a management holding company. The business activities are distributed across the subsidiary companies (in legal terms after entry of the resolutions of 28 August 2001 in the Commercial Register) SinnerSchrader Deutschland GmbH, SinnerSchrader UK Ltd. and SinnerSchrader Benelux BV; formerly: Sinner + Schrader Interactive Marketing GmbH *(SinnerSchrader IM*), Sinner + Schrader Interactive Software GmbH *(SinnerSchrader IS)*, SinnerSchrader UK Limited (*SinnerSchrader UK*), SinnerSchrader Benelux BV and SinnerSchrader Netmatic GmbH *(SinnerSchrader Netmatic)* formerly NetMatic Internet/Intranet Solutions GmbH with its subsidiary company NetMatic Inc.

SinnerSchrader IM was founded in February 1997 and SinnerSchrader IS in December 1997 as limited-liability companies (GmbH). SinnerSchrader AG was founded in July 1999. On 18 September 2000 SinnerSchrader AG signed a contribution agreement in respect of 100% of the shares in NetMatic. The Shareholders' Meeting of SinnerSchrader AG on 12 December 2000 approved this contribution and post-formation agreement under § 52 of the Stock Corporation Act (AktG) (see section “Acquisition of NetMatic Internet/Intranet Solutions GmbH”).

SinnerSchrader AG has concluded profit-and-loss transfer agreements with Sinner + Schrader Interactive Marketing GmbH and Sinner + Schrader Interactive Software GmbH (controlled companies) which are in each case wholly owned by SinnerSchrader AG. In them the controlled companies undertake

- to transfer their entire profit to SinnerSchrader AG – subject to the formation or release of reserves as permitted under the agreement,
- with the approval of SinnerSchrader AG to appropriate amounts from the annual financial statements to other retained earnings, insofar as this is

permissible under commercial law and is economically justified according to reasonable commercial judgment,

- at the request of SinnerSchrader AG to release certain reserves and to use them to offset an annual deficit or to transfer them as profit. The transfer of amounts from the release of general reserves (other retained earnings under § 272 para. 3 of the Commercial Code (HGB) and capital reserves under § 272 para. 2 No. 4 HGB) which were formed before the beginning of this agreement is excluded.

SinnerSchrader AG gave an undertaking to the controlled companies to offset annual deficits insofar as these are not offset by withdrawing amounts from general reserves which were appropriated during the term of the agreement.

The two agreements were entered in the Commercial Register in February 2001 and apply retroactively for the period as from 1 September 2000. The agreements may at the earliest be terminated at the close of 31 August 2005 after a notice period of six months. If this point in time is not identical with the end of the business year of the controlled companies, termination can take place at the earliest at the end of the first business year of the controlled companies ending after this point in time, after a notice period of six months. Unless the agreement is terminated it will be extended by in each case one calendar year and with the same period of notice. If the agreements come to an end SinnerSchrader AG will be obliged to provide security under § 303 Stock Corporation Act (AktG).

Overview

SinnerSchrader is a consultancy and service company in the Internet-based business systems sector (e-business), focusing on systems for electronic trading (e-commerce) and for electronic customer relations management (e-CRM). The networking of business processes and the development of efficient sales channels via the Internet are in the forefront. In this context the Group handles the design, implementation, configuration and operation of e-business solutions for other companies. In addition, SinnerSchrader offers data analysis services for data from e-business systems and online marketing services for e-commerce solutions.

Holistic customer support is provided as a “one-stop shopping” approach. The services offered by the Company include e-commerce strategy consultancy, the design and production of user interfaces, software and system development, system integration, operation and maintenance of e-business systems, the development of data analysis strategies, data analysis, and the planning, development and controlling of online marketing campaigns.

SinnerSchrader’s business activity focuses on e-business solutions which are tailor-made and which are implemented with very short lead times. This requires flexible project teams that can quickly and self-reliantly develop and implement innovative solutions in collaboration with the customer. The business is operated in the Project Services sector.

In providing holistic customer support SinnerSchrader differentiates three fields of competence in the Project Services sector: Consulting, Experience Design and Engineering. With the additional Business Management Services Operations, Web Mining and Media Services, SinnerSchrader supports its customers throughout the service life of an e-business solution and helps to consistently optimise it.

Markets, competitors

The market for consultancy and implementation services specialising in Internet applications lies at the intersection of the three service fields – IT systems consultancy and development, marketing/communication/advertising, and strategy and process consultancy. Whereas in the early days of the Internet the tasks driven by marketing/communication were in the forefront, the Internet has now also gained acceptance as a platform for the presentation of distributed business and transaction processes. As a result, the main area of tasks for integrated Internet consultancy and implementation service providers has moved distinctly in the direction of IT systems consultancy and development.

Investment in information and telecommunications technology was one of the main driving forces behind the good economic trend in the USA and Europe in the second half of the 1990s and through into mid-2000. In this connection digital mobile radio and the Internet were areas of investment which exhibited extraordinarily high growth rates. In 1999 and 2000 in particular, investment was frequently carried out here against the background of quite euphoric growth scenarios.

Starting in the USA, however, from mid-2000 the economic situation deteriorated considerably. This deterioration was strengthened further by the terrorist attacks on 11 September 2001, and economic growth rates have dropped sharply worldwide. Some countries, including the USA, are in recession.

For Germany, SinnerSchrader's main market, growth of only 0.8 % is expected for the year 2001. Here too it can be assumed that in the second half of the year the economy was largely in recession. Reflecting this, the trend in investment activity has deteriorated substantially. Against the background of the high level of investment for Internet-based applications in the previous years, it is to be assumed that the investment volume in the sector is down on the previous year. What's more, for the investment carried out the question of profitability has moved into the foreground, which is additionally slowing down investment decisions. Since the second half-year 2000 it can be observed that in the technology sector in particular companies are implementing their investment in a more targeted approach and according to the criterion of profitability. The uncertainty connected with the macro-economic environment is making it much more difficult to forecast.
In view of the uncertainty from the political arena it is very difficult to forecast the future trend. It is generally expected that the cyclical situation will improve over the course of the year 2002. In Germany the economy as a whole is set to grow by more 1%. Low oil prices and the low level of interest rates might help to improve the investment climate with sustained effect.

Internet users in Germany

The development of the market in which SinnerSchrader is active depends, apart from the general economic trend, to a large extent on the frequency with which the Internet is used. The figures issued by different institutes on the number of Internet users in Germany fluctuate between 8.0 and 27.6 million, depending on how "Internet use" is defined, and which age group is the basis for the surveys. According to the latest available Euro.net study (Welle 8, 06/01) conducted by NFO infratest InCom, 43% of the German population (27.6 million) aged 14 and above used the Internet at least once within the past 12 months, which represents growth of 11% within six months. By June 2002, 5.2 million new users are expected. In its latest study Gesellschaft für Konsumgüterforschung (GfK) estimates that 22 million people in Germany are now using the Internet at least once a month. In extrapolated terms the same study found that 12.7 million Germans purchased goods and services worth DM 3.6 billion online in the first half of 2001.

E-business in companies

The Internet has therefore successfully gained acceptance as a communication, information and business platform. This has been recognised by companies in all sectors. According to a study by Cap Gemini Ernst & Young in collaboration with the University of Trier (published in October 2001) companies will continue to invest in e-business despite the weakness of the economy. 56% of companies are planning to increase their investment volume for e-business in 2002. Nearly one in five companies even intends to increase investment significantly. This is the case in particular for companies with sales revenue exceeding €1 billion. Broken down into sectors, trading and distribution intends to increase investment in e-business in 2002 by 36%, metal industry/mechanical engineering by 55%, electronics/high tech 67%, automotive 49%, chemicals/pharmaceuticals 54% and public utilities by 56%.

Only 48% of the companies surveyed answered in the affirmative the question as to whether they had an e-business strategy in place. The bigger the Company, the more likely it was that the management had developed an e-business strategy.

However, more than 60% of the companies surveyed are not happy with the results of their e-business projects. A good one third of the companies have achieved the operating targets – falling costs and higher customer benefit. The results of the study also showed that most, i.e. around 80%, of the companies surveyed regard themselves as being quite clearly still at the beginning of their e-business development. From the results of the study it can be concluded that the business area of SinnerSchrader among the professional services will continue to develop with above-average growth rates in the coming years.

Over the course of the year 2001 the competitive landscape for SinnerSchrader changed considerably. This is mainly connected with the fact that many of the consultancy and implementation service providers specialising in e-business and e-commerce suffered considerable economic difficulties owing to the downturn in the market in 2001. Two of the biggest German service providers, Kabel New Media AG and Popnet AG, went bankrupt. Many foreign competitors, particularly from the USA and Sweden, withdrew from the German market. On the other hand, the established IT consultancy and systems houses, such as Accenture, IBM Global Services, have moved into the forefront as competitors. The strategy of SinnerSchrader, which is clearly geared to technological services, contributed to this. On the whole it is to be expected that the high intensity of competition will normalise as a result of the consolidation process, and growth opportunities might derive for SinnerSchrader as a result.

Company history

1996 Matthias Schrader and Oliver Sinner found the private company sinner+schrader GbR.

The company develops reference and pilot shops to be added on top of Intershop 1.0 for the software company Intershop.

The company designs and develops and online-shop with extensive Back Office functions for the mail order fashion house Conley`s.

The company creates a distribution platform für more than 15,000 specialised PC dealers for Europe`s largest computer distributor CHS.

The company markets the online offer for BANK 24 with the first HTML-Banner in the German Web.

The company launches Görtz into the Web, the first German shoe retailer with direct Sales in the Internet.

1997 Oliver Sinner and Matthias Schrader found Sinner + Schrader Interactive Marketing GmbH

The company develops an innovative build-to-order system for US computer manufacturer Hewlett Packard. It can be used to custom scale system components to the orders of customers within hours before production begins.

The company designs and implements the first totally client-capable distribution platform in the world für media distributor Georg Lingenbrink GmbH & Co. (Libri).

For Deutscher Herold, an insurance group of the Deutsche Bank, the company conceived a client-capable Internet application that automatically refers insurance customers to the nearest insurance agent.

The company founds Sinner + Schrader Interactive Software GmbH as an independent company for software development. Both companies now have a total of 12 employees and annual sales of DM 1.3 million. Sebastian Dröber and Detlef Wichmann take over management in the area of software development.

1998 SinnerSchrader develops the online advertising technology adtraction.

SinnerSchrader develops the first online rental station for a European auto rental company, Europcar Deutschland which uses a database-supported reservation systen with real-time.

The online auction house ricardo.de becomes a client of

SinnerSchrader.

SinnerSchrader assumes responsibility for the expansion of the online activities of transtec AG.

1999 SinnerSchrader launches telephone operator Talkline`s direct marketing channel.

For media distributor Georg Lingenbrink GmbH & Co., SinnerSchrader introduces the first gateway to digital printing of “Books on Demand”.

SinnerSchrader has carried out a change of legal form into that of a public limited company.

Stock market flotation of SinnerSchrader AG. Admission of the ordinary bearer shares to the Regulated Market with inclusion in trading on the Neuer Markt as of 2 November.

2000 SinnerSchrader is appointed strategic e-business consultant for Tchibo. In collaboration with SinnerSchrader, Tchibo Internet GmbH will expand the Internet activities of the coffee manufacturer.

SinnerSchrader is strategic e-business partner to ineas, the first European Internet-based insurance company.

Acquisition of NetMatic Internet/Intranet Solutions GmbH, Hamburg, by contribution agreement of 18 September. The agreement becomes effective upon the Shareholders’ Meeting resolution of 12 December 2000.

SinnerSchrader launches a new online shop for discount24, subsidiary company of Otto Versand.

SinnerSchrader realigns the e-business activities of Viag Interkom.

2001 SinnerSchrader gains Bertelsmann as a new client with a project for Der Club.

HanseNet is a new customer of SinnerSchrader.

Intel and SinnerSchrader jointly develop server solutions for e-business.

SinnerSchrader develops the website for maxblue, the new online investment centre of Deutsche Bank, and is also the implementation partner for the launch of maxblue in Italy.

Establishment of an office in Frankfurt.

Baur Versand, a company in the Otto Group, is a new client of SinnerSchrader.

At the end of September 2001 the Company moves into new business premises in Hamburg, and for the first time in two years all staff in Hamburg are once again working under the same roof.

SinnerSchrader will in future assist the Saturn trading company, which is owned by Metro AG, in the development of its e-business activities.

In collaboration with Intel, SinnerSchrader sets up two Intel e-business Solutions Labs in Germany on the premises of SinnerSchrader.

Strategy

It is SinnerSchrader's vision to help companies manage customers and business partners better, more cost-efficiently and therefore more profitably. For this purpose, the Company develops innovative e-business solutions to supplement existing sales channels (multi-channel strategy), to increase customer loyalty and to optimise business processes.

SinnerSchrader's strategy is based on the ability to handle total project responsibility in order to be able technologically to deliver these ambitious e-business solutions to its customers turnkey from a single source. This requires, on the one hand, high technological competence from the entire organisation as well as, on the other, the solution-oriented integration of the productive individual functions within the Company, extending from consultancy through design to technical installation and content implementation. Accordingly, more than half of all staff are engaged in engineering and SinnerSchrader is organised in solution centres, sector-oriented profit centres which are responsible for the the project work and customer support.

SinnerSchrader develops its e-business solutions along the enterprise interfaces to the respective market partners, whether in the B2C or the B2B sector. The extension of internal corporate processes beyond the existing IT landscapes of companies in the direction of the customer is not a process based on the division of tasks but requires a single overview of the project.

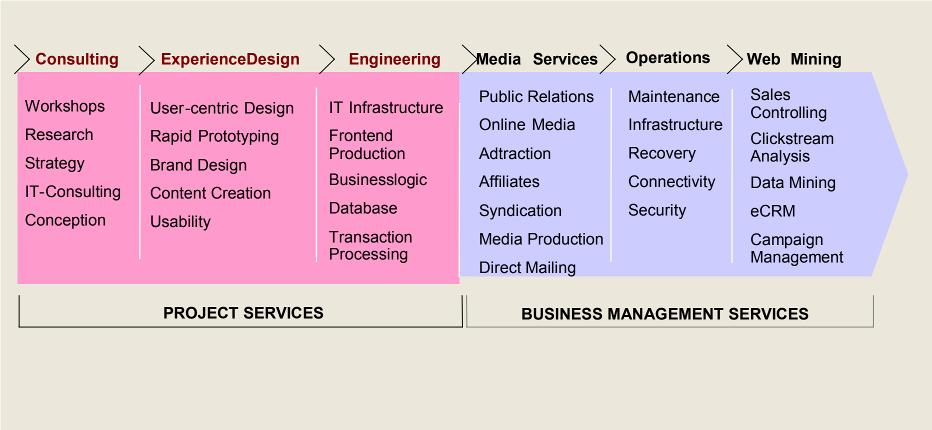
Acceptance by the respective target group (end customer, business partner or employee) is the key to the success of an e-business project. Such acceptance requires relevant benefit, an attractive user interface and high usability of the application.

Since 1996 SinnerSchrader has been exclusively developing dynamic Web applications on the basis of modern multi-layer architectures with the aid of object-oriented technologies. Cleverly devised software architectures, ultra-modern tools and innovative methods, in conjunction with sound partnerships with leading suppliers of J2EE, content management and database products, form a solid foundation for realising successful e-business projects.

Corporate activity

SinnerSchrader offers its customers the services presented in the following. The individual services are as a rule performed within the framework of an overall project or in connection with ongoing support.

Continous value creation



Consulting

Nowadays, e-business rarely means establishing new companies on the basis of new business models. The focus is now more on the opportunities offered by the Internet as an omnipresent infrastructure for distribution, customer loyalty and process optimisation. Our consultants actively support the customer in this transformation process, analyse the options and develop from this an e-business strategy that is efficient and operationally viable. This process extends from product positioning through development of front-end and back-end processes to the creation of intelligent customer loyalty programs.

In order to provide a consultancy service of the highest standard, we have bundled our many years of e-business competence in sector-oriented solution centres. We concentrate on solutions in the following areas: Communication & Technology, Financial Services, Media & Entertainment, Retail & Consumer Goods as well as Travel & Transportation.

Experience Design

In Germany, close on 32 million people use the Internet, with around 450 million worldwide. Interface design for e-business software is now determined by basic navigation standards that are established and understood all over the world. The challenge for our design people now is to get even further into the transactional depth, i.e. to attain “the next click". For this, SinnerSchrader has developed its own experience models that use the experience of behavioural patterns of millions of user sessions to help optimise front-end processes.

In order to "draw" the user into the site and offer him an exciting user-experience, an independent team of editors at SinnerSchrader develops attractive online content and concepts. An important element of our methodology, moreover, is the use of prototypes and usability tests. Software is therefore improved to achieve optimal rates of transformation from visitor to customer, before its actual implementation.

New activities in experience design have emerged with the increasing implementation of multichannel e-business strategies. The scope extends from the limited possibilities of mobile devices such as phones and PDS's, through classic GUI programming for swing-based back-office applications to TV design for broadband and kiosk applications.

Engineering

In order to achieve maximum scalability in respect of engineering skills and project synergy, SinnerSchrader consistently focuses on the leading industry standards J2EE, EJB, Corba and XML. By concentrating on these key technologies, SinnerSchrader has gained extensive know-how in designing the technological most important element of any e-business solution – the application layer, which perfectly links front-end and business logic with existing back end systems. SinnerSchrader's competence in software development enables it to implement tailored solutions in short project times. That's how we give our customers a competitive edge in the market and enable them to react quickly and flexibly to changing market and customer needs.

Through the concentration on e-business solutions geared to transaction rates, a further important competence in our service portfolio is the ability to develop a system architecture that is scalable and able to copy with heavy loads. This includes the planning and implementation of the necessary operational and security concepts.

Media Services

Successful B2C solutions require a correspondingly high level of awareness in the market. SinnerSchrader works for long-term optimisation of the marketing budget of clients engaged in advertising through integrated online campaigns – from planning through advertisement creation to performance monitoring. Thanks to our own Adtraction technology, turnover and click streams can be directly attributed to individual ad placements and thus specifically geared for low cost-per-order (CPO). Moreover, our Media Services people develop intelligent affiliate programs and multiphase direct mailing concepts.

Operations

Software has priority in any successful e-business solution. Yet only smooth, cost-efficient operation in the background assures sustained turnover. For every interruption to the operation comes at a cost. The more successful a business operation, the greater the loss of sales if the website happens to stop working. There's also damage to the company's image.

For SinnerSchrader, "operation" means consistently gearing all activities towards optimising the client-specific software. SinnerSchrader Operations Management offers the full spectrum of services in the areas of infrastructure, service management and security through a one-stop shopping service. Our partner concept guarantees the use of the best solution components available at the time for all service elements (Best of Breed). Through a modular price and contract model, we can precisely tailor the service package to the individual requirements of our customers.

The decisive criterion for success is our integrated approach to the task. Only a system that functions as a whole allows you to create value from an e-business solution. Our software competence is crucial to this. Moreover, SinnerSchrader Operations Management monitors all system and infrastructure components and automatically sets about finding and quickly eliminating the causes of problems as and when they arise. An important reason for our clients to place website operation in the hands of the e-business specialists at SinnerSchrader.

Web mining

Knowledge of markets and customers is crucial for the competitive advantage, growth and ultimately the profitability of a business model. Web mining actively develops this knowledge by precisely measuring and analysing the behaviour of visitors and customers.

Through its long-term experience in the development and operation of transaction software, SinnerSchrader knows how digital customer relations have to be organised in order to be profitable. Our web mining services cover the quality of visitor contacts and thus get onto the track of customer requirements. At the sensitive points of an e-business solution, we install appropriate test points that are able to deliver findings on all aspects of an application. The data is rendered anonymous at an early stage to satisfy all the requirements of data protection.

SinnerSchrader web mining analyses all IP-supported channels such as web, iTV, mobile and POS terminals. This service delivers valuable indications on customer behaviour as well as inconsistencies in transaction processes and potentials for improving e-business solutions. Furthermore, we selectively optimise content by evaluating empirical data on a daily basis and thus improve the functionality of the application.

Customer structure

SinnerSchrader’s business concept is based on long-term customer relationships with major established companies. SinnerSchrader has been assisting some companies continuously for three to four years in their e-business/e-commerce activities, including Deutsche Bank, Europcar, Libri, Talkline, Deutscher Herold, Görtz. The core clientele of established companies has expanded every year, so that now, among others, Tchibo, Otto Versand, Viag Interkom, Bertelsmann and Saturn also enjoy the benefit of services provided by SinnerSchrader.

In addition to business with established companies SinnerSchrader has developed business with innovative start-up enterprises in the New Economy. Especially in transactional Internet applications, the start-up companies offered SinnerSchrader the opportunity to prove its solution and implementation competence and to gather important project experience at a very early stage. The considerable market changes in 2001 have, however, brought this business to a complete standstill.

Whereas in the business year 1999/2000 (1 September 1999 to 31 August 2000), 35% of sales revenue still derived from business with start-up customers, in the business year 2000/2001 the proportion fell to 6% and continues to decline.

In the business year which ended 31 August 2001 SinnerSchrader achieved around 58% of total sales revenue with the six biggest customers, and the biggest customer is responsible for 31% of sales revenue. In the previous year the comparable figures were 62% and 17%.

Patents, licences, industrial property rights and trade mark rights

SinnnerSchrader acquired with NetMatic the trade mark rights in respect of "NetMatic" (see section "Contribution agreement").

SinnerSchrader is not dependent on patents or licences which are significantly important for the business activity or earnings position.

Legal disputes

Sellers of business shares in the former NetMatic Intranet/Internet Solutions GmbH, Hamburg, have instituted legal proceedings in connection with the payment of the purchase price and in particular against the amount of the purchase price. The provisional amount involved in the dispute is put by the plaintiff side at DM 807,102.

In addition, legal action is pending concerning the termination of a contract of employment of one of the active Netmatic sales people. The provisional amount involved in the dispute has been put by the plaintiff side at DM 408,128.

Further legal disputes which could have a considerable influence on the business activity of SinnerSchrader AG or its assets and liabilities, financial position or results are not currently pending and none are threatened.

Investment

Investment in the partial business year 1999 (DM 0.4 million) and in the business year 1999/2000 (DM 1.1 million) was mainly carried out for equipping employee workplaces with computer hardware and software and with office furniture, as well as for the central server and network capacity.

In the business year 2000/2001 investment amounted to DM 6.2 million and was distinctly higher than in the previous years. Around DM 2.9 million of this was invested in tangible assets, with the largest proportion being expended on the new office premises at the Hamburg location.

A further DM 2.9 million of cash was deployed for the takeover of Netmatic. This amount comprises the cash component for the first instalment of the purchase price and the incidental purchase costs less the cash acquired.

DM 0.4 million was expended in connection with the involvement in LetMeShip GmbH.

By far the highest proportion of investment was undertaken in Germany and was financed completely from equity.

In the business year 2001/2002 investments in tangible assets will probably be slightly below the level in the 2000/2001 business year at around DM 2.5 million.

Research and development

The objective of SinnerSchrader is to deploy up to 2% of sales revenue on research and development work. Three main tasks have been laid down for the research and development activities: development and support of the software frameworks combined under the name Unified Commerce Platform, object libraries and reusable components; evaluation of new technologies and preparation of their deployment in SinnerSchrader projects; and design and implementation of load tests and their evaluation with regard to new concepts for high-performance software and system architectures. In the 2000/2001 business year around DM 0.6 million was expended on these tasks.

Real property

SinnerSchrader does not have any real-estate property. The business premises in Hamburg, Gasstrasse 8–16, are rented long-term.

Employees

SinnerSchrader's highly-specialised services demand highly-qualified employees. Gaining and retaining competent professionals and committed people of talent for the long term is therefore one of the central tasks of our personnel department. Besides interesting customers and projects, SinnerSchrader offers its employees in return an environment in which their intellectual assets are ideally developed and fostered in a targeted manner.

The basis is a unique corporate culture that draws all employees closely together – irrespective of position and location. It is condensed in our four catchwords for first-class service. smart, leading, involved direct. Qualification, commitment and the will to accept responsibility are the crucial attributes of our project teams, and are also reflected in the continuing development of our organisation structure.

We therefore set great store by recognising potentials and encouraging the development possibilities of our employees. Our extensive training programme, in which more than 200 employees have already participated, as well as conscious encouragement of self-study and personal education, represent for us important pillars of employee development.

Including the influx of 50 Netmatic staff the number of employees rose by 85 to 259. We have therefore not been compelled to make massive restructuring cuts in the face of the subdued trend in demand and have been able to steadily further develop our corporate culture and organisation.

The number of employees at SinnerSchrader grew from 174 at the end of the business year 1999/2000 to 259 at the end of the business year 2000/2001. Of this total, the major part – at 52 employees – was due to the take-over of NetMatic. The principle capacity increase took place in software development. The share of software developers in the overall workforce is now 45% (previous year: 34%). With the aim of intensifying the technological profile of SinnerSchrader, developers were entrusted for the first time in the business year 2000/2001 with dedicated research and development tasks. Other staff increases were down to expansion of quality management, the formation of teams for the new business segments in Business Management, Web Mining and Operations as well as the strengthening of administrative functions, particularly in the area of Finance and Controlling.

To encourage employee shareholding, the 1999 and 2000 share option schemes for the allocation of employee options are in place. The basic features of these share option schemes are explained in detail under “conditional capital I” and “conditional capital II” in the section on “Capital structure”.

Shares in SinnerSchrader were also made available for the former employees of NetMatic in the course of the take-over. The basic features of the employee shareholding scheme are explained in the section “Acquisition of NetMatic Internet/Intranet Solutions GmbH”.

Investments/Shareholdings

SinnerSchrader Interactive Marketing GmbH, Hamburg
(Partial business year from 1 September to 31 December 2000 under the Commercial Code (HGB); before result transfer) *)

Equity	DM	3,862,448
Nominal capital	DM	50,000
Reserves	DM	0
Last net income for the year	DM	931,080
Shares in nominal capital		100 %
Investment book value at September 1, 2000	DM	8,842,818
Result contribution for SinnerSchrader AG as at August 31, 2001	DM	5,266,460
Receivables from SinnerSchrader AG	DM	6,508,011
Liabilities to SinnerSchrader AG	DM	9,062,602

The object of SinnerSchrader Interactive Marketing GmbH, Hamburg, is to run an advertising agency, in particular by interactive marketing communication, as well as all activities connected therewith apart from those requiring official approval.

SinnerSchrader Interactive Software GmbH, Hamburg,
(Partial business year from 1 September to 31 December 2000 under the Commercial Code (HGB); before loss takeover) *)

Equity	DM	91,021.40
Nominal capital	DM	50,000
Reserves	DM	0
Last net loss for the year	DM	–34,832
Shares in nominal capital		100 %
Investment book value at 31 August 2001	DM	3,492,569
Result contributions at SinnerSchrader AG as at 31 August 2001	DM	–9,832
Receivables from SinnerSchrader AG	DM	0
Liabilities to SinnerSchrader AG	DM	264,560

The object of SinnerSchrader Interactive Software GmbH, Hamburg, is consultancy, conceptual design, development and distribution of IT solutions, in particular for the Internet, as well as all activities connected therewith apart from those requiring official approval.

SinnerSchrader Netmatic GmbH, Hamburg
(at 31 December 2000 under the Commercial Code (HGB) *)

Equity	DM	1,627,786
Nominal capital	DM	54,000
Reserves	DM	0
Last net income for the year	DM	1,504,583
Shares in nominal capital		100 %
Investment book value at 31 August 2001	DM	35,661,390
Result contribution for SinnerSchrader AG as at 31 August 2001	DM	2,248,266
Receivables from SinnerSchrader AG as at 31 August 2001	DM	1,970,432
Liabilities to SinnerSchrader AG as at 31 August 2001	DM	1,397,357

The object of SinnerSchrader Netmatic GmbH, Hamburg, is: the elaboration of solutions, as well as consultancy and development in the Internet and Intranet services sector.

*) The investments stated above are consolidated in the financial statements of SinnerSchrader AG. The results of the last financial statements are also shown in the explanatory notes to the annual financial statements of SinnerSchrader AG, page 111.

Under the merger agreement of 28 August 2001 and the approval resolutions of the Shareholders' Meetings on 28 August 2001, SinnerSchrader Interactive Software GmbH and SinnerSchrader Netmatic GmbH were merged into SinnerSchrader Interactive Marketing GmbH, which was renamed SinnerSchrader Deutschland GmbH. The entry in the Commercial Register of Hamburg local court was made on 5 December 2001 (see also section "Summary of the prospectus/SinnerSchrader" and "Business activity/SinnerSchrader Group").

Taxation in the Federal Republic of Germany

The following section is a summary of a number of important German taxation principles. The summary makes no claim to provide a comprehensive description of all tax law considerations that could be significant in connection with the decision concerning the purchase of shares in SinnerSchrader. This summary is based on the tax regulations valid in Germany at the time of the production of this prospectus and which may be subject to changes, including retrospectively. The following statements relate exclusively to the taxation of dividends, investment income tax and inheritance and gift tax, although only a few aspects of these taxes are explained. Potential purchasers of shares are advised to obtain expert advice concerning the tax consequences of the purchase, holding and sale or the transfer for no payment of shares, as well as concerning the possible effects of double taxation agreements und non-German tax laws.

On 23 October 2000 the Tax Reduction Law ("StSenkG") was passed. With this law a comprehensive income tax reform was implemented, some of which came into effect on 1 January 2001 and some of which will come into effect in the following years. The Tax Reduction Law has already been changed since being passed and will probably be subject to further technical changes. Dividends and investment income on shares in German companies will as from 2002, insofar as the Company does not have a deviating business year, be subject to the new tax regulations. However, it appears probable that the new law will already be applied to income from shares in foreign companies as from 2001. In view of the unclear wording of the transitional arrangements of the Tax Reduction Law the German financial courts and tax authorities will possibly apply the new tax regulations only to earnings and investment income from shares generated as from 2002.

Taxation of the Company

As a result of the Tax Reduction Law (StSenkG) which came into effect on 1 January 2001 the rate of tax for corporations was reduced to 25%. This rate of tax applies both to retained earnings and distributed profits. This uniform tax rate is to be applied for the first time to profits generated in the trading years beginning after 31 December 2000. The solidarity surcharge of 5.5% will be levied on the corporation tax liability. In addition, the Company is subject to municipal trade tax, which in the calculation of corporation tax is deductible as an operating expense.

Insofar as in the corporation tax classification account of the Company under old law income constituents are still stated at 31 December 2000 which in the prior trading years prior were subject to corporation tax of 45% or 40%, these are – after netting with any existing negative balances of income not subject to corporation tax – carried forward in the form of a corporation tax credit balance which amounts to 1/6 of the arithmetically calculated end balance of the income tax constituents subject to the 40% rate (so-called EK 40 end balance).

If with effect for subsequent years (but at most for the duration of a transitional period of 15 years) ordinary dividend distributions are passed in favour of the shareholders, both the corporation tax of the Company as well as the corporation tax credit balance will reduce by 1/6 of the EK 40 end balance distributed in each case and – taking previous distributions into account – carried over to this point in time. Corporation tax credit balances not realised by the expiry of this transitional period will lapse. The profits of the shareholder subject to the 30% charge are taxed by applying the so-called half-income process, which is dealt with in more detail below. The shareholder can no longer offset corporation tax for such dividends as under the old offsetting process.

Taxation of dividends

The new half-income process
The previous offsetting process under Corporation Tax Law which is described below was replaced by this half-income process at 1 January 2001. It is therefore no longer possible to offset at shareholder level the corporation tax paid by the Company. Dividend income paid to corporations domiciled in Germany which are subject to corporation tax and corporations not domiciled in Germany which hold shares in the operating assets of a German business establishment are exempt from corporation tax by application of the Tax Reduction Law (StSenkG) which came into effect on 1 January 2001. For the first time in the assessment period 2002 the tax exemption will include ordinary profit distributions passed for the previous trading years. If the distributing company has a deviating business year, the tax exemption will only apply for ordinary profit distributions after the close of the deviating business year 2002/2003. Correspondingly, the deduction of operating expenditures directly connected with the dividend income is excluded.

Income tax only applies to half of the dividend income of private investors, less half of the income-related expenses connected with the equity participation. Correspondingly, only half of the income-related expenses which are connected with the dividend income, regardless of the assessment period in which they occur, are tax-deductible in calculating the income.

The dividend income of private investors is only taxed, if, together with other income from capital assets and after taking into account – with reference to dividend income – half of the actual income-related expenses or the income-related flat rate amount of DM 100 p.a. in 2001 and €51 as from 2002 or DM 200 p.a. in 2001 and €102 p.a. as from 2002 (for married couples who are jointly assessed) and the savings allowance of DM 3,000 p.a. in 2001 and €1,550 p.a. as from 2002 or DM 6,000 p.a. in 2001 and €3,100 p.a. as from 2002 (for married couples who are jointly assessed) exceed. The tax is calculated using the rate of taxation applying to the respective shareholder.

Dividends paid to sole proprietorships or partnerships with commercial income may not be subject to municipal trade tax on income. This, however, applies only insofar as the shareholding amounted to less than 1/10 of the stock capital at the beginning of each calendar year.

For the account of its shareholders the Company has to deduct and pay a withholding tax (investment income tax) from its profit distributions to the amount of 20% of the dividend passed by the Shareholders' Meeting. The solidarity surcharge of 5.5% is levied additionally to the investment income tax. The effective total tax burden amounts to 21.10%. The basis of assessment for levying the investment income tax is the full amount of the dividend.

For dividends distributed to shareholders not resident in Germany the withholding tax rate is reduced to 15% under most German double taxation treaties. The reduction in withholding tax is obtained in that the difference between the total amount retained including the solidarity surcharge and the withholding tax actually owed under the pertinent double taxation treaty is refunded on request by the German tax authority. Forms for applying for the refund are available from the Federal Finance Office (Bundesamt für Finanzen), Bonn, or from the German embassies and consulates in various countries. Most of the double taxation treaties provide for further reductions in respect of the dividends which are distributed to corporations not domiciled in Germany and which own at least 25% – in individual cases at least 10% – of the (in some treaties voting) shares of the the distributing company. The same applies to dividends which are distributed to parent companies as defined by Directive No. 90/435/EWG of the Council of 23 July 1990 (so-called parent-subsidiary directive). In these cases, on request and if other requirements are met, the lower withholding tax rate can be taken into account when the dividend is distributed or the withholding tax need not be retained.

The dividend is paid out to shareholders resident in Germany, who have submitted to their depository bank a certificate of non-assessment from the tax office in their domicile/place of residence, without deduction of investment income tax and solidarity surcharge. The same applies in the case of the submission of an exemption order insofar as the exemption volume noted in this order has not already been used on other income from capital assets. On submission of a non-assessment certificate the depository bank can also pay out a dividend to tax-exempted corporations without deducting investment income tax and solidarity surcharge.

The old offsetting process

As, subject to the transitional arrangements presented in the following, dividend payments may still be subject to the old offsetting process in 2001, this process is briefly described in the following: Dividends which are paid to shareholders resident in Germany are subject to income and corporation tax. Under the offsetting process special factors apply under certain circumstances for dividend payments which in tax terms are regarded as a capital repayment (so-called EK 04 distribution) or which are paid to shareholders unrestrictedly subject to corporation tax in Germany from tax-free foreign income (so-called EK 01 distribution).

Shareholders resident in Germany and shareholders not resident in Germany who hold shares in the property of a business or a permanent establishment in Germany are, under the offsetting process, entitled to the offsetting or refunding of the corporation tax in respect of 3/7 of the cash dividend distributed by a German corporation (of the dividend passed by the Shareholders' Meeting). As a result the basis of assessment for the solidarity surcharge is reduced to the respective income or corporation tax liability. The requirement for this is the presentation of a tax certificate. If profits are distributed which were tax-exempted at a company, e.g. under a double taxation treaty or which in tax terms are deemed to be a capital repayment, no offsetting credit balance arises. The purpose of the offsetting process under corporation tax law is to avoid double taxation with German corporation tax and income tax in the

Company/shareholder relationship and to tax dividends according to the personal circumstances of the shareholder. In the home country the offsetting credit balance under corporation tax law is neither offset nor refunded for shareholders not resident in Germany unless they hold their shares in the operating assets of a busines or a permanent establishment in Germany. Shareholders who as a result are not entitled to offsetting or refunding of corporation tax in the home country should, however, have their tax accountant check whether the German withholding tax paid by the Company is offsetable in their country of residence on their tax paid there.

Transitional arrangements
The switch from offsetting process to corporation tax exemption or the half-income process is made according to the trading year of the Company which makes the distribution.

The offsetting process is to be applied for the last time to ordinary profit distributions passed in the assessment period 2001 for previous trading years, unless the Company has a deviating business year. As from 2002/2003 the distributed dividends are tax-exempt at the level of a recipient domestic corporation, or in the case of private investors are subject to the half-income process.

Taxation of disposal gains

Half-income process
If, after 1 January 2002, a domestic corporation sells equity participations in the corporation, disposal gains are no longer subject to corporation tax and municipal trade tax at the level of the selling corporation. In the case of disposal gains from shares in corporations with a deviating business year the tax exemption for corporations as shareholders will not apply until after the close of the business year 2001/2002. For domestic banks and other corporations, however, special regulations apply. Correspondingly, disposal losses cannot be taken into account tax-wise.

Special criteria apply to shares created for the purpose of contribution on conversion of partnerships into corporations. A seven-year blocking period applies to shares created for the purpose of contribution within which disposal is fully liable to tax.

Disposal gains of a private investor are liable to tax within a one-year holding period. If the shareholder or in the case of purchase for no consideration one of the shareholder’s legal predecessors at any time within the past five years held an interest directly or indirectly of the least 1% in the capital of the Company, the tax liability will likewise apply regardless of the one-year period. The half-income process already explained must be applied to these disposal gains accordingly.

The half-income process is also applicable to disposal gains on shares of the Company which are held in the operating assets of a sole proprietorship or a partnership, insofar as natural persons are involved in the partnership.

Transitional arrangements
The disposal of shares in the Company by corporations is tax-free for the first time as from the assessment period 2002.

For private investors the new law, and thus the half-income process in respect of disposal gains liable to tax, will also apply as from the assessment period 2002. In the case of disposal gains on shares in corporations with a deviating business year the half-income process will not apply until the close of the 2001/2002 business year. Until then the following applies:

Profits on the disposal of shares which are held by a shareholder resident in Germany in the operating assets or by shareholder not resident in Germany in the assets of a business or permanent establishment in Germany are subject to taxation without any special criteria applying.

Property tax

Property tax is no longer levied for assessment periods since 1 January 1997.

Inheritance and gift tax

The transfer of shares to another person as a gift or mortis causa is subject to German inheritance and gift tax only if

a) The testator or donor or inheritor, person receiving the gift or other person acquiring the shares had his or her permanent or habitual residence in Germany at the time of the transfer of property or as a German national had been abroad for no longer than five years without having a residence in the home country, or

b) the shares at the testator or donor belonged to operating assets for which a business establishment was maintained in Germany or a permanent representative was appointed, or

c) the testator or donor at the time of the inheritance or gift either alone or together with other persons close to him had a direct or indirect interest of at least 10% in the stock capital or share capital of the German corporation.

d) The few German double taxation treaties in respect of inheritance tax currently in force (e.g. that with the USA) usually make provision that German inheritance and gift tax can only be levied in the cases (a) and – with restrictions – (b).

Other taxes

No German capital transfer tax, turnover tax, stamp tax or similar tax is charged on the purchase, sale or other disposal of shares.

SinnerSchrader at a glance

Key figures for the SinnerSchrader Group under US-GAAP

	1.9.2000 31.8.2001 in DM	**1.9.1999 31.8.2000** in DM	**1.1.1999 31.8.1999** in DM	Change 2000/2001 against 1999/2000 in%	Change 1999/2000 against 1999 in%
Selected data on the income statement					
Sales:					
Project Services**:**	28,414,560	19,068,682	5,548,649	49	243.6
Media Services	5,825,857	7,584,759	2,743,550	–23.2	176.4
Other	837,610	2,023,332	107,500	–58.6	1782.2
Sales, gross	35,078,027	28,676,773	8,399,699	22.3	241.4
Distribution and general administrative costs	–9,916,586	–5,023,272	–884,246	97.4	468
Depreciation	–5,328,073	-	-	-	-
Operating result	–6,673,640	6,576,033	2,826,183	–201.4	132.7
Net income/loss for the year	–4,796,415	3,849,197	1,339,657	–224.6	187.3

	31.8.2001 in DM	**31.8.2000** in DM	**31.8.1999** in DM	Change 2001 against 2000 in%	Change 2000 against 1999 in%
Selected data on the balance sheet					
Liquid assets and securities classified as current assets	57,272,322	60,718,346	6,149,889	–5.6	887.3
Equity, total	85,294,401	66,104,366	5,487,239	29	1104.7
Balance sheet total	104,318,528	75,589,723	8,450,943	38	794.4

Area of activity
SinnerSchrader is a consultancy and service company for e-business in Germany. Activities focus on the networking of business processes and the development of efficient distribution channels on the Internet. Customers include Deutsche Bank, Bertelsmann, Metro, Tchibo and Viag Interkom.

Sales
Sales are mainly generated by Project Services. Services provided by SinnerSchrader range from consulting services for eCommerce strategies and concepts for transactional web solutions, the design and production of web based user front-ends, to the implementation of software for middleware and backend systems, as well as to maintenance and content management services for installed solutions. Project and service agreemtents are either on the basis of time and material or on a fixed-fee basis. Around half of the 49% increase in sales in this sector compared with the business year 1999/2000 is attributable to the acquisition of Netmatic. Reflecting the differing trends in the three sectors, the sales structure has experienced a shift towards the higher-margin project services. In the business year 1999/2000 the share in total sales amounted to 66.5% and was thus slightly higher than the level for the partial business year 1999. This sector accounted for a share of close on 83% in the business year 2000/2001.

In the Media Services sector, SinnerSchrader provides online-marketing services, i.e. the planning, design, execution and controlling of online-marketing campaigns, for Internet web sites mainly to project services customers. The decline in sales in this sector has to be seen against the background of a sharp slump in volumes and prices on the market for online advertising as a result of the absence of business with dot.com companies and drastic cuts in advertising budgets at established enterprises. Amounting to DM 7.6 million, the proportion of sales in this sector was 26.5% in 1999/2000, which was around 150% more than in the partial business year 1999 when the figure was DM 2.7 million. In the business year 2000/2001 this proportion dropped by 23% compared with the previous year and, amounting to DM 5.8 million, was 15%.

In the ‘Other’ sector SinnerSchrader’s activities include operating services, e.g. hosting services and application management and monitoring services. Fees for these services are generally billed and recognised on a monthly basis. In addition, SinnerSchrader provides customers with any required hardware and software on a by request basis. Revenue for third party hardware and software is realised upon delivery. The 50% reduction in sales in this sector results from the fact that in the previous year mainly young start-up companies contracted SinnerSchrader not only to carry out project development work but also to procure the hardware and software required. The proportion of sales accounted for by these companies dropped sharply to 6% owing to the crisis in the New Economy, and SinnerSchrader’s blue-chip customers in particular as a rule already have established procurement sources for hardware and software. The proportion of sales in the partial business year 1989 amounted to around 1.3% (DM 108,000), in the business year 1999/2000 to 7% (DM 2 million), and in the business year 2000/2001 to just over 2% (DM 838,000), which represents a decrease of 59% in this sector compared with the previous year.

Distribution and general administrative costs
The burdens from value adjustments on receivables which are included in distribution and general administrative costs amounted in the business year 2000/2001 to –DM 2.2 million (previous year: –DM 0.5 million). The value adjustments were necessary because two start-up companies had to file for bankruptcy because they were unable to raise follow-up financing. The development of foreign locations in the United Kingdom, in the Netherlands and via NetMatic in the USA led to start-up losses amounting to DM 1.5 million which had an impact in particular on distribution and administrative costs. In the 1999/2000 business year costs incurred included advance expenditures for developing the London location, and value adjustments on customer receivables.

Depreciation
In addition to revenue and expenditure from operating business, the initial consolidation through the depreciation of the paid purchase price makes itself felt in the result accounts of SinnerSchrader. Under the rules of the American accounting standard the cash payment and share components as well as incidental purchase costs were stated with a total value of DM 38.0 million and distributed over the acquired net assets stated on the balance sheet, intangible assets such as a core clientele and core personnel, and goodwill in the narrower sense as a residual item.
All assets had to be depreciated as scheduled in the past business year, resulting in a total burden of DM 5.3 million. This depreciation is taken to the operating result (income from operations). As a consequence, for the business year 2000/2001 SinnerSchrader shows a negative operating result of –DM 6.8 million compared with the positive operating result of DM 6.6 million in the previous year.

Equity
The increase in equity capital by DM 60,617,000 compared with 31 August 1999 to DM 66,104,000 at 31 August 2000 mainly results from the flotation of SinnerSchrader on the stock market in November 1999. The growth in equity capital by a further DM 19,190,000 to DM 85,294,000 at 31 August 2001 is mainly attributable to the payment of Netmatic with shares from the approved capital.

Balance sheet total
The increase in the balance sheet total to DM 104,318,528 at 31 August 2001 is mainly attributable to the acquisition of NetMatic and the flotation of SinnerSchrader AG.

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Joint status report of the SinnerSchrader Group and the SinnerSchrader Aktiengesellschaft for the fiscal year 2000/2001

I. General

The SinnerSchrader Group (“SinnerSchrader” or “Group”) is made up of SinnerSchrader Aktiengesellschaft (“SinnerSchrader AG” or “AG”) and its subsidiaries Sinner+Schrader Interactive Marketing GmbH, Sinner+Schrader Interactive Software GmbH, SinnerSchrader UK Limited, SinnerSchrader Benelux BV as well as SinnerSchrader Netmatic GmbH which was acquired during the fiscal year 2000/2001 with its subsidiary Netmatic Inc. SinnerSchrader is a consulting and services company for the development, design and implementation of e-commerce and e-business solutions.

SinnerSchrader AG performs the functions of a management holding company. The consulting and services business is carried out by the subsidiaries. The financial status of SinnerSchrader AG is therefore presented together with that of the Group in a joint status report. Unless specific reference is made to the AG, the information provided refers to the Group. The financial statements for the Group are drawn up on the basis of the US accounting principles (“US-GAAP”) with discharging effect in accordance with § 292a of the German Commercial Code (HGB). The individual accounts of the AG are prepared in accordance with German accounting principles.

The fiscal year 2000/2001 for the AG and Group extended from 1 September 2000 to 31 August 2001. The acquired SinnerSchrader Netmatic GmbH was included in the consolidated Group accounts as from 1 January 2001. In order to present the sustained effects of the acquisition, pro-forma data was prepared on the assumption of the consolidation of Netmatic for the full fiscal year as from 1 September 2000. For the prior-year comparisons reference is made to the financial statements for the fiscal year 1999/2000 from 1 September 1999 to 31 August 2000, as well as for the partial fiscal year 1999 from 1 January to 31 August 1999.

II. Market and competitive environment

Over the course of the business year 2000/2001 the economic parameters steadily deteriorated. Following the trend in the USA, where economic activity slowed down noticeably already in autumn 2000, growth rates declined throughout the world in 2001 and are currently well below the original forecasts. After the economically successful year 2000 this applies in particular to Germany, the main market for SinnerSchrader, where economic growth for 2001 is now estimated at 0.8 % compared with an estimate of 2.5 % a year ago.

Technology investments, in particular investments in information and communications technology, were one of the main drivers of economic growth in the second half of the 1990s. The Internet and digital mobile communication were the catalysts of an economic vision in which continuous inflation-free growth was believed to be possible. The profitability of each individual investment initially receded into the background. In mid-2000, however, the refinancing requirements of the dot.coms, companies which had built up the new Internet-based business models with considerable start-up losses financed by risk capital or the stock market, and the high fees paid for the UMTS licences on the German and British markets put the question as to the profitability of the investments on the agenda. Many investments did not stand up to this scrutiny. This resulted on the one hand in numerous cases of insolvency among the start-up companies. On the other hand established companies began a critical review of investment made and future investment plans. Technology investment as a driving force for economic growth thus came to a halt.

For service providers such as SinnerSchrader who have specialised in consultancy and implementation of e-business solutions this development brought a fundamental change in demand. Within a few months demand for consultancy and implementation services from innovative start-up companies dried up almost completely. Business with established companies experienced an appreciable slowdown in investment decisions and a shift in project priorities and, as a consequence, in the requirements for the services partners. Vision, design capability and speedy implementation lost some of their significance. Technological competence, alignment with customer benefit, a professional approach and commercial stability became key criteria for selecting service providers.

Although first signs of this development appeared in summer 2000, many of the focused service providers in Europe continued their aggressive organic and acquisitive growth strategy up to the end of the year against the background of cash funds gained through stock market flotations. As demand stagnated, and in some areas even went into decline, the total capacity of the sector initially continued to rise strongly. In addition in view of the shift in priorities of established clients, the classic IT consultants and system houses enjoyed more and more success with their e-business-oriented offerings. This resulted in increasingly fierce competition and significant pressure on prices. As a result, over the course of the first eight months of 2001 numerous competitors were compelled to implement severe restructuring measures. Two of the stock market-listed competitors had to file for bankruptcy.

The difficult changes in the Internet industry during the business year 2000/2001 and the continuing high degree of uncertainty concerning the general economic environment are, however, concealing some positive trends which are significant for the long-term business development of SinnerSchrader. Reliable studies, e.g. by the Gesellschaft für Konsumgüterforschung (GFK, Institute for Consumer Goods Research), come to the conclusion that the Internet has established itself as a communication, information as well as a transaction medium. More than 22 million people in Germany now use the Internet at least once a month, and it is extrapolated that 12.7 million people purchased goods and services worth over DM 3.6 billion online in the first half of 2001. The importance and potential of the Internet is recognised by most companies in Germany – despite some disappointment of rather exaggerated expectations – and according to a study by Cap Gemini Ernst & Young more than half intend to expand their investment in Internet technology in 2002.

III. Development and Position of the Group

Despite the dynamic business development in the years since founding in 1996, SinnerSchrader has always pursued a controlled growth strategy based on the steady expansion of core capabilities and financially in line with self-generated resources. This fundamental approach was not changed by the flotation in November 2000 and the inflow of liquid funds amounting to around DM 54.8 million and consequently SinnerSchrader acted cautiously with regard to acquisitions in view of excessively high prices on the market.

Thanks to the careful growth strategy and despite the massive changes in the general economic and sector environment, which we had not anticipated to this extent, and which therefore had a noticeable impact on the income statement for the fiscal year 2000/2001, SinnerSchrader has been able to clearly improve its market position in Germany without affecting the company's financial stability. This is an important precondition for a positive business development in the coming years.

> Acquisition of Netmatic Internet/Intranet Solutions GmbH

The expansion of technological competence remained one of the main strategic goals of SinnerSchrader in the past business year. The acquisition of Netmatic Internet/Intranet Solutions GmbH (“Netmatic”) with close on 50 software specialists, three years of experience in Internet projects on the basis of the WebObjects technology platform and promising client relationships represented a major step towards achieving this goal. The purchase agreement was signed on 18 September 2000. Consummation of the purchase agreement, however, required the approval of the Annual Shareholders’ Meeting on 12 December 2000. As a consequence Netmatic could only be consolidated into the SinnerSchrader Group after approval was given as from 1 January 2001.

The total purchase price was dependent on the results of Netmatic in the 2000 business year and was due in two instalments. The first instalment consisted of DM 3 million in cash and 437,246 SinnerSchrader AG shares from authorised capital; the second instalment comprised 1,130,518 shares from authorised capital. Under the purchase agreement 5% of the shares will be transferred by the sellers to Netmatic employees in a specific employee stock program. All of the shares from the transaction are subject to lock-up periods of one to three years starting from 1 January 2001.

According to the accounts drawn up under German accounting principles Netmatic achieved sales of DM 8.6 million (previous year: DM 3.0 million) in the year 2000, earnings before interest and taxes (EBIT) of DM 2.7 million (previous year: DM 0.2 million) and a net income for the year of DM 1.5 million (previous year: DM 0.1 million). These figures underline the fact that our decision in favour of this acquisition was not merely guided by strategic considerations.

> Increase in sales revenue

Sales revenue in the 2000/2001 fiscal year amounted to DM 35.1 million and was thus around 22% up on the previous year. Including Netmatic for the entire business year, we achieved pro-forma sales of DM 38.9 million, which represents an increase of close on 36%. Referred to total revenue we were thus unable to continue the high growth dynamic of the previous years.

A differentiated look at the three service sectors, however, highlights widely differing trends. Whereas Media Services and Other showed considerable declines of 23% and 59%, respectively, we were able to expand the core business of Projects Services for the design and implementation of e-business solutions at a pleasing growth rate of 49% (pro forma 69%) despite more difficult market conditions. About half of this growth is attributable to the acquisition of Netmatic. As a result of the differing development of the three sectors the structure of sales shifted towards the higher-margin Projects Services. Close on 83% of the pro-forma revenue of DM 38.9 million was accounted for by Project Services, 15% by Media Services and just over 2% by Other.

The decline in Media Services is mainly to be seen against the background of a sharp slump in volumes and prices on the market for online advertising. The collapse of the dot.com world had a particularly rapid and strong impact here. In view of fears about the economy in general, established companies have also drastically cut back their advertising budgets – online and offline – in 2001, so that there has hardly been any opportunity for avoiding the downturn.

The crisis in the New Economy was also the reason for the 50% reduction in Other revenue. In the previous year it had been the start-up companies from which SinnersSchrader had not only received orders for project development work but also for the procurement of the requisite hardware and software configuration. In contrast, the Old Economy companies, in particular our blue-chip clients, usually already have established procurement sources for hardware and software.

The industry and market trend described above is reflected in the quarter-on-quarter development of sales. While statutory sales increased in the quarterly comparison, the pro-forma perspective indicates that after a good first quarter the trend changed around the turn of the year 2000/2001, was in decline into May 2001 and only started to move upwards again in the fourth quarter. Whereas in the comparison between the first and the second quarters it was mainly Media Services that were in decline, in the third quarter project cancellations, longer sales cycles and a lower price level had a negative impact on Project Services too. After the initial consolidation of Netmatic in the second quarter the pro-forma revenue for the third and fourth quarters equal the statutory revenue figures.

> Structure of client base improved

In the first years of its development SinnerSchrader not only established a successful business with blue-chip clients such as Deutsche Bank and Europcar but also built up business with innovative start-up companies such as Ricardo. In transactional applications in particular the start-up companies offered an opportunity at a very early stage for SinnerSchrader to prove its solution and implementation capability, to gather valuable project experience and thus to achieve a competitive lead. In the previous year the proportion of sales with companies in the New Economy therefore amounted to around 35%.
The virtually complete collapse of this segment represented the biggest challenge for the business development of SinnerSchrader in the fiscal year 2000/2001. Thanks to the high level of client satisfaction which we achieve through our competent and committed project work with our clients, and thanks to a good level of market acceptance as a result of the success of the projects carried out by SinnerSchrader we were able both to achieve growth in existing client relationships, in particular with Deutsche Bank, as well as to establish promising relations with new blue-chip clients, including Bertelsmann, Baur Versand and Viag Interkom. For the full business year 2000/2001 the proportion of sales attributable to companies in the New Economy declined to 6% and is currently well below that level.

Owing to the very pleasing trend in our business with Deutsche Bank the proportion of sales that went to this client rose to 34% (pro forma 31%). With the next five biggest clients we generated a further 25% of sales (pro forma 27%). Referred to the six biggest clients the concentration of sales revenue was thus roughly at the same level as in the previous year.

Regarding the split of revenue by vertical markets, SinnerSchrader achieved overall a more balanced distribution in the fiscal year 2000/2001 compared to the previous year. Business with Deutsche Bank in particular resulted in Financial Services becoming the most important client sector. The Media & Entertainment sector gained in significance as a result of the acquisition of Netmatic.

> Acquisition-related staff growth and moderate capacity expansion

The number of employees of SinnerSchrader rose from 174 at the end of the 1999/2000 business year to 259 at the end of the 2000/2001 business year. The main factor in the total increase was the influx of 52 staff in connection with the acquisition of Netmatic. This demonstrates that the focus of capacity expansion was once again clearly in the area of software development. Compared with the situation on 31 August 2000, the proportion of software developers in total staffing rose from 34% to close on 45%. In connection with the sharpening of the technological profile of SinnerSchrader, we for the first time designated developer resources to research and development tasks in fiscal 2000/2001. Further increases in staffing levels were attributable to the expansion of quality management, the setting up of teams for the new Business Management units, Web Mining and Operations, and to the strengthening of administrative functions especially in the Finance and Controlling sector.

While in the first months of the business year the expansion of staff continued against the background of the original target planning of a doubling in sales, in the second half of the business year we halted the growth in capacity realising that the cyclical difficulties would be greater and the changes in our sector more profound, and implemented limited cutbacks aiming at improvements in efficiency and quality. However, we decided to accept a lower capacity utilisation in the short term in order not to let the necessary organisational development be jeopardised by the volatility of the markets.

On a full-time equivalent basis on average 222 staff were employed in the past fiscal year (or pro forma 239 staff). Total sales revenue per average staff member thus amounted to DM 158,000 (pro forma DM 162,000). Project Services revenue per average staff member amounted to DM 128,000 (pro forma DM 135,000).

> High one-off burdens affect the result

The comparatively low capacity utilisation over the course of the year and price decreases on the market have pushed the gross margins for SinnerSchrader to below 30% in the year under review compared with 40% in the previous year. As a result SinnerSchrader was not able to completely cover high one-time costs due to write-offs on receivables, start-up losses from setting up foreign locations, and research and development projects. The earnings before interest, tax, depreciation and amortisation (EBITDA) was – DM 0.4 million. In the pro-forma perspective, however, we achieved a positive EBITDA of DM 0.9 million; here the earnings before interest, taxes and amortisation of the purchase price for the acquisition of Netmatic was still positive, too.

The burdens from write-offs on receivables, which are contained in sales, general and administrative expense, amounted to – DM 2.2 million in the business year 2000/2001 (previous year: DM - 0.5 million). The write-offs were necessary primarily because two start-up companies had to file for bankruptcy owing to their inability to obtain follow-up financing. The initiatives to develop foreign locations in the United Kingdom and the Netherlands as well as via Netmatic in the USA caused start-up losses of DM 1.5 million, again mainly affecting sales, general and administrative expense.

> Research and development work will ensure future growth

Technological competence is one of the key competitive factors in the market for e-business consultancy and implementation services. Despite the noticeable turbulence on the market SinnerSchrader therefore stuck to its objective in the business year 2000/2001 of investing up to 2% of revenue in research and development. Three main tasks were set for the research and development team: development and maintenance of the software frameworks, object libraries and reusable components combined under the name “Unified Commerce Platform"; evaluation of new technologies and preparation of their deployment in SinnerSchrader projects, as well as planning and execution of load tests and their evaluation in the search of new concepts for high-performance software and system architectures. In the fiscal year 2000/2001 approximately DM 0.6 million were expensed for these tasks.

> Effects of the acquisition of Netmatic on earnings

Beyond the income and expense of operations, the initial consolidation of Netmatic affected SinnerSchrader’s earnings through the amortisation of the purchase price paid. According to the US accounting principles, the cash and share component of the purchase price together with transaction costs were valued at DM 38,0 million and were allocated to the net assets on the balance sheet, intangible assets such as customer lists and assembled work force, and to goodwill in the narrower sense as a residual value.
All these assets had to be amortised on a straight-line basis in the past fiscal year. This resulted in a burden totalling DM 5.3 million. On a pro-forma basis the value is higher owing to the calculation of the amortisation charge over twelve instead of eight months and amounts to DM 8.0 million. The amortisation is assigned to income/loss from operations. As a result, for the fiscal year 2000/2001 SinnerSchrader shows a loss from operations of – DM 6.8 million (pro forma – DM 8.1 million), compared with an income from operations of DM 6.6 million in the previous year.

> Financial result, taxes, annual result

By contrast the financial result of close on DM 2.1 million was around 65% up on the previous year. Income from the investment of liquidity reserves amounting to DM 2.6 million (previous year: DM 1.6 million) was partially offset by losses from the depreciation of financial assets amounting to DM 0.5 million (previous year: DM 0 million). The termination of the involvement in LetMeShip GmbH, which had to file for bankruptcy in September 2001 because a third financing round could not be placed owing to the extremely difficult conditions on the market for venture capital, accounted in the amount of DM 0.4 million for the largest portion of this depreciation. With a further DM 0.1 million the book value of the convertible bond from the former Ricardo.de AG, which SinnerSchrader received in 1999 as partial compensation for project services, had to be written down to the current market value. Over the course of the business year we also decided not to exercise an option to take a shareholding in 2000 Blumen New Media AG, terminating a venture strategy originally initiated against the background of a good stock market climate.

Despite the resulting negative earnings before taxes, the income statement of SinnerSchrader shows tax expense amounting to nearly DM 0.3 million. This is mainly attributable to the fact that neither the amortisation from the acquisition nor the losses at the foreign subsidiaries have a tax-reducing effect in the Group.

As a result, in total a net loss for the year of – DM 4.8 million is incurred compared with a net income of DM 3.8 million in the business year 1999/2000. In pro-forma terms the net loss amounts to – DM 6.8 million. Not including the amortisation from the acquisition of Netmatic both the statutory and the pro-forma accounts would show a net income for the year of DM 0.5 million and DM 1.2 million, respecitvely. On a diluted basis the net loss per share amounts to – DM 0.45 (pro forma –DM 0.59); in the previous year SinnerSchrader achieved a net income per share of DM 0.40.

> Positive operating cash flow

Despite the recognisable tightening in the income statement owing to the more difficult market conditions, SinnerSchrader succeeded in generating a positive operating cash flow of DM 1.2 million, even though following the very successful previous year income tax payments (after setting off corresponding tax refunds) had to be paid in the amount of DM 3.4 million. One of the reasons for the pleasing cash flow situation is that the measures in receivables management were successful, so that we did not incur an additional funds tie-up in receivables despite the expansion of business. This development also reflects the improvement in the structure of our client base.

The investments in tangible and financial assets as well as acquisitions are reported in the cash flow from investing activities; this cash flow is, however, also affected by the cash flows from purchases and sales of marketable securities, in which a considerable part of the Group’s liquidity is invested. In the business year 2000/2001, SinnerSchrader used DM 6.2 million of cash for the actual investing activities.

Around DM 2.9 million of these total investments related to tangible assets, and was mainly connected with setting up the new office premises in Hamburg which were occupied in mid-September 2001. Before, the staff of SinnerSchrader in Hamburg had been spread over three office buildings. By moving in with the staff of Netmatic their integration took a decisive step forward.

A further amount of DM 2.9 million related to the acquisition of Netmatic and comprised the cash component of the purchase price and the transacition costs less the cash acquired. The remaining DM 0.4 million related to our investment in LetMeShip GmbH.

> Solid balance sheet structures

The balance-sheet structures on 31 August 2001 remain solid. The main changes compared with the previous year are caused by the acquisition of Netmatic. The growth on the assets side in intangible assets and goodwill is set against the increase in shareholders' equity as a result of the payment with shares from authorised capital.
As a result the balance-sheet total rose from DM 75.6 million to DM 104.5 million. At 82% compared with 87% in the previous year the ratio of equity to total capital continued to be very high. SinnerSchrader still does not have any bank borrowings. Other accruals were set up in particular for holiday obligations, potential warranty obligations and unused rental space. Tax accruals and deferred taxes on the liabilities side total DM 3.4 million and are set against tax refund claims of DM 4.2 million.

On the balance-sheet date liquid assets and marketable securities amounted to DM 57.3 million and - despite an investment volume of DM 6.2 million - were only DM 3.4 million below the prior-year level of DM 60.7 million.

IV. Development and position of the AG

SinnerSchrader AG ("AG") is the management holding company of the SinnerSchrader Group. SinnerSchrader AG shares have been traded on the Neue Markt of the Frankfurt Stock Exchange since 2 November 1999.

The business activities of SinnerSchrader AG centre around the management of the wholly owned subsidiaries, the central handling of administrative tasks for the Group, the facility management, the administration and control of the Group's liquidity, the management of other equity interests and the performance of central Group functions.

From the performance of management functions for the subsidiaries and from the renting of office space to them the AG generated revenues of DM 2.7 million (previous year: DM 0.9 million). The increase compared with the previous year is attributable to a further centralisation of administrative functions. The other operating income mainly stems form the selling of marketable securities in addition to intra-Group cost transfers. Through dividend payouts from its subsidiaries the AG realised income from participations amounting to DM 7.1 million in the business year 2000/2001 (previous year: DM 5.4 million). Owing to profit-and-loss transfer agreements concluded with subsidiaries in October 2000, the AG received additional income of DM 0.4 million (previous year DM 0 million).

Against this income was set personnel expense of DM 2.7 million (previous year: DM 1.2 million) and other operating expense of DM 4.0 million (previous year: DM 6.3 million). The rise in personnel expense is partly attributable to transfers of personnel from the subsidiaries in connection with the further centralisation of administrative functions. The decrease in other operating expense is primarily due to the absence of the costs for the flotation in the business year 1999/2000. This decrease is partly offset by costs for the annual report, annual shareholders' meeting and other costs related to the listing on the Neuer Markt, which the AG had to bear for the first time.

From investing liquid funds the AG generated interest income amounting to DM 2 million and income from the sale of marketable securities of DM 0.6 million. Further interest income derived from the financing of Group companies in connection with the administration of a central cash pool. This is also where most of the interest and similar expenses occurred, which in addition included mainly fees for bank guarantees. Depreciation of financial assets primarily relates to the investment in LetMeShip GmbH and in addition to the investment in SinnerSchrader UK Limited, which was written down to zero following the decision to discontinue business activity in the UK for the time being.

From the perspective of the AG, too, the acquisition of Netmatic led to an increase in the balance sheet total. The increase in shares in affiliated companies of DM 35.7 million is mostly balanced by an increase in shareholders' equity resulting from the capital increase for the first instalment of the purchase price. The resolution on the capital increase for the second instalment was not passed until 18 October 2001, so that the corresponding amount is stated in a separate item outside of shareholders' equity. Altogether, a total of 1,567,764 shares are being created from authorised capital to pay for the acquisition.

In addition to shares in affiliated companies the asset side of the balance sheet mainly comprises cash and marketable securities amounting to DM 56.3 million (previous year: DM 59.8 million). Through the investments in the refurbishment and equipping of the new office building in Hamburg tangible assets increased to DM 1.8 million (previous year: DM 0.003 million). Under other assets amounting to DM 4.8 million (previous year: DM 2.7 million) income tax refund claims dominate; receivables from affiliated companies amounted to DM 2.4 million at 31 August 2001 (previous year: DM 1.5 million).

IV. Risks of future business

The future business development of SinnerSchrader is subject to risks which could negatively affect its earnings and financial position or could mean that SinnerSchrader fails to achieve the goals of future business development. The Management Board of SinnerSchrader AG considers it one of its key tasks to continuously evaluate the risks with regard to their possible impact on earnings and financial position and the probability of their occurrence, and also to define measures to limit these risks.

The risks are connected mainly with general economic developments, the high pace of change on the still young market for Internet services and the relatively short business history of SinnerSchrader. For the most part, but not exclusively, they relate to the following:

> The general economic trend influences the volume of investment in e-business solutions, outlays for online advertising and related services. A further

deterioration in the economic environment could distinctly reduce the market volume addressed by SinnerSchrader – in terms of quantity and price. The capacity reduction measures necessary to respond to such a development could only be taken with a certain time-lag and would lead to additional costs for restructuring measures.

>SinnerSchrader generates a significant part of its revenue with a few clients. A loss of business with one of these clients could only be compensated, if at all, after a time-lag during which it would not be possible to reduce costs correspondingly.

>Revenue in the business conducted by SinnerSchrader is not secured by long-term contracts and generally arises on the basis of single orders with a limited time horizon. Sales forecasts are therefore subject to a high degree of uncertainty.

>In the course of project work for its clients, SinnerSchrader in some cases does a large amount of work in advance without receiving corresponding advance payments. The inability or unwillingness of individual clients to pay bills for services already provided could have a negative impact on the financial position of SinnerSchrader.

>SinnerSchrader generates a considerable part of its revenue under fixed-price agreements. If the cost estimates for the discharge of the respective projects are not met, unanticipated losses can occur. In addition, under project contracts SinnerSchrader takes on customary warranty and liability obligations from which considerable consequential costs could result for individual projects.

>SinnerSchrader takes on projects which have a wide-ranging impact. Quality deficiencies in work delivered could therefore lead to negative publicity which could negatively affect the ability of SinnerSchrader to sell its services and consequently significantly impair the future development of business.

>The performance of SinnerSchrader depends to a large extent on the skills and motivation of its staff. Certain key employees are particularly important. The failure to achieve the objective of tying these employees to the company or continually finding qualified staff for SinnerSchrader could negatively and significantly influence the success of SinnerSchrader.

> In the past SinnerSchrader has taken over companies by way of acquisition and plans to do so in the future. The success of acquisitions depends on to what extent the enterprise taken over is successfully integrated in the existing organisation and the targeted synergies are achieved. If the integration efforts are not successful the value of an acquired company can reduce considerably and entail the need for extraordinary depreciation and amortisation charges.

V. Outlook

The events of 11 September 2001 have had a further negative impact on the economic climate and are likely to cause the economic downturn to be more serious than previously assumed. They create a situation in which forecasts are extremely difficult to make. Despite the general cyclical development and the specific difficulties in the area of Internet-related services following the boom in 2000, SinnerSchrader is convinced that the market for e-business solutions in the medium and long term will be among the most attractive growth markets in the sector of professional services.

SinnerSchrader sees itself as being well positioned in this market in Germany and will benefit from the consolidation among the providers of comparable services. After the focused expansion of the technological capability, which will be continued also in future, SinnerSchrader consistently aligned its organisation to client industries in the business year 2000/2001. The solution centres have been developed further into profit centres each run by a team consisting of a managing consultant and a managing engineer. The main objective of this new structure is to address the markets in the individual client segments more intensively while maintaining the close interrelation between sales and delivery. In addition, SinnerSchrader added an important component to its service offering in the past business year: through the newly created Web Mining unit we are addressing the need for professional processing of the data generated by e-business solutions.

The results in fiscal 2000/2001, however, also make it necessary to take measures on the cost side. We therefore stopped the activities to establish SinnerSchrader in the UK market as from 31 August 2001 for the time being as it became apparent that the start-up phase would last much longer than originally planned. The continuation of business at the other two international locations in Rotterdam and Denver is also under review. Through the consistent application of our measures regarding receivables management we expect that the need for write-offs will decrease in future. It is also our aim to significantly increase capacity utilisation again. For this not only success on the sales front will be required but also capacity management geared to efficiency, quality and flexibility.

It is SinnerSchrader's objective to increase revenue again in the fiscal year 2001/2002 and to improve operating profitability once more. Whether we succeed in this aim depends, however, on how fast the negative economic trend reaches bottom and the investment climate improves again.

Consolidated statements according to US-GAAP of SinnerSchrader Aktiengesellschaft

A. Consolidated balance sheets
as of 31 August 2001, 31 August 2000 und 31 August 1999

ASSETS	31.08.01 DM	31.08.00 DM	31.08.99 DM
Current assets:			
Cash and cash equivalents	7,816,380	567,158	6,149,889
Short-term investments	49,455,942	60,151,188	-
Accounts receivable, net of allowances for doubtful accounts (1,171,400 DM; 484,608 DM; 1999: 0 DM)	8,529,550	8,318,657	1,460,095
Unbilled revenues	912,743	1,648,164	-
Prepaid expenses and other current assets	4,376,544	3,639,008	196,112
Total current assets	**71,091,159**	**74,324,175**	**7,806,096**
Property and equipment, net	3.616.923	1,122,320	521,177
Intangible assets, net	2,427.333	-	-
Investments	8.032	143,228	123,670
Goodwill, net	27.175,081	-	-
Total assets	**104,318,528**	**75,589,723**	**8,450,943**

LIABILITIES AND SHAREHOLDERS` EQUITY			
Current liabilities:			
Trade accounts payable	1,360,210	2,397,540	529,505
Accrued expenses	1,670,137	995,894	439,508
Income tax payable	2,534,440	4,108,900	1,751,065
Deferred taxes	848,510	657,828	25,633
Purchase price liability	9,949,955	-	-
Other current liabilities and deferred revenues	2,660,875	1,325,195	217,993
Total current liabilities	**19,024,127**	**9,485,357**	**2,963,704**
Commitments and contingencies (note III F.)			
Shareholders` equity:			
Common stock, par value € 1 Outstanding: 10,412,246, 9,975,000, 7,500,000 as at 31.08.2001, 31.08.2000, 31.08.1999 respectively	20,364,583	19,509,404	14,668,725
Additional paid in capital, net of equity adjustment	65,323.054	41,275,425	- 10,425,724
Receivables from shareholders	-	-	- 48,896
Retained earnings	345,916	5,142,331	1,293,134
Accumulated other comprehensive income	493,961	177,206	-
Deferred compensation	- 1,233,113	-	-
Total shareholders` equity	**85,294,401**	**66,104,366**	**5,487,239**
Total liabilities and shareholders` equity	**104,318,528**	**75,589,723**	**8,450,943**

The accompanying notes are an integral part of these financial statements

B. Consolidated statements of operations for the fiscal years 2000/2001, 1999/2000 and the partial fiscal year 1999

	01.09.00 31.08.01 in DM	01.09.99 31.08.00 in DM	01.01.99 31.08.99 in DM
Revenues:			
Project Services	28,414,560	19,068,682	5,548,649
Media Services	5,825,857	7,584,759	2,743,550
Other	837,610	2,023,332	107,500
Total revenues, gross	**35,078.027**	**28,676,773**	**8,399,699**
Media costs	- 4,449,150	- 6,352,517	- 2,370,250
Total revenues, net	30,628,877	22,324,256	6,029,449
Cost of revenues	- 21,451,842	- 10,724,951	- 2,319,020
Gross profit	**9,177,035**	**11,599,305**	**3,710,429**
Sales, general and administrative expense	- 9,916,586	- 5,023,272	- 884,246
Research and development expense	- 606,016	-	-
Amortisation of intangible assets	- 550,667	-	-
Amortisation of goodwill	- 4,129,499	-	-
Stock-based compensation	- 647,907	-	-
Operating income/loss	**- 6,673,640**	**6,576,033**	**2,826,183**
Other income/other expense	110,472	57,979	25,600
Interest income and expense	2,596,845	1,575,127	12,045
Income from investments and participations	- 544,021	-	-
Income before provision for income taxes	**- 4,510,344**	**8,209,139**	**2,863,828**
Provision for income taxes	- 286,071	- 4,359,942	- 1,524,171
Net income/loss	**- 4,796,415**	**3,849,197**	**1,339,657**
Net income/loss per share (basic)	- 0.45	0.40	0.22
Net income/loss per share (diluted)	- 0.45	0.40	0.22
Weighted average shares outstanding (basic)	10,735,308	9,563,942	6,025,000
Weighted average shares outstanding (diluted)	10,735,308	9,608,278	6,025,000

The accompanying notes are an integral part of these financial statements

C. Consolidated statement of shareholders` equity for the fiscal years 2000/2001, 1999/2000 and the partial fiscal year 1999

	Number of shares	Nominal value	Add. paid-in capital net of equity adjustment	Receivables from shareholders	Deferred compensation	Retained earnings	Accumulated other comprehensive income	Total shareholders` equity	Comprehensive income
		DM	DM	DM	DM	DM	DM	DM	DM
Balance as of 31 Dezember 1998	**-**	**-**	**243,000**	**-50,000**	**-**	**116,946**	**-**	**309,946**	**92,910**
Net income	-	-	-	-	-	1,339,657	-	1,339,657	1,339,657
Payment of receivables	-	-	-	50,000	-	-	-	50,000	
Distribution of earnings	-	-	-	-	-	-163,469	-	-163,469	
Sale of common stock	1,500,000	2,933,745	1,066,256	-48,896	-	-	-	3,951,105	
Reclassification for formation of stock corporation	6,000,000	11,734,980	-11,734,980	-	-	-	-	-	
Balance as of 31 August 1999	**7,500,000**	**14,668,725**	**-10,425,724**	**-48,896**	**-**	**1,293,134**	**-**	**5,487,239**	**1,339,657**
Net income	-	-	-	-	-	3,849,197	-	3,849,197	3,849,197
Unrealised gains on available-for-sale securities, net of tax	-	-	-	-	-	-	177,056	177,056	177,056
Foreign currency translation adjustment, net of tax	-	-	-	-	-	-	150	150	150
Payment of receivable	-	-	-	48,896	-	-	-	48,896	
Issuance of stock on initial public offering, net	2,475,000	4,840,679	51,701,149	-	-	-	-	56,541,828	
Balance as of 31 August 2000	**9,975,000**	**19,509,404**	**41,275,425**	**-**	**-**	**5,142,331**	**177,206**	**66,104,366**	**4,026,403**
Net income/loss	-	-	-	-	-	-4,796,415	-	-4,796,415	-4,796,415
Unrealised gains on available-for-sale securities, net of tax						-	283,914	283,914	283,914
Foreign currency translation adjustment, net of tax						-	32,841	32,841	32,841
Common stock issued for acquisition of Netmatic	437,246	855,179	24,047,629	-	-1,881,020	-	-	23,021,788	-
Amortisation of deferred compensation	-	-	-	-	647,907			647,907	-
Balance as of 31 August 2001	**10,412,246**	**20,364,583**	**65,323,054**	**-**	**-1,233,113**	**345,916**	**493,961**	**85,294,401**	**-4,479,660**

The accompanying notes are an integral part of these financial statements

D. Consolidated statements of cash flows
for the fiscal years 2000/2001, 1999/2000 and the partial fiscal year 1999

	01.09.00 31.08.01 DM	01.09.99 31.08.00 DM	01.01.99 31.08.99 DM
Cash flows from operating acitivities			
Net income/loss	- 4,796,415	3,849,197	1,339,657
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	814,986	425,766	191,684
Amortisation of intangible assets and goodwill	4,680,166	-	-
Stock-based compensation	647,907	-	-
Write-down on investments	544,021	-	-
Bad debt expense	2,233,689	484,608	-
Non-cash expense/-revenue	-	- 71,023	- 30,955
Loss on disposal of property and equipment	48,132	8,485	18,919
Gain/loss on disposal of market securities (available-for-sale)	- 571,154	- 1,035,671	-
Deferred tax provision	- 145,078	2,288,683	- 176,553
Changes in assets and liabilities			
Accounts receivable	376,012	- 7,343,170	- 1,192,185
Unbilled services	767.071	- 1,648,164	-
Other current assets and prepaid expenses	- 1,120,090	- 1,685,224	22,142
Accounts payable, other liabilities and deferred revenues	51,987	3,052,210	426,510
Income taxes payable	- 2,673,024	500,091	1,668,938
Other accrued expenses	333,026	565,282	313,814
Net cash provided by/used in operating activities	**1,191,236**	**- 608,930**	**2,581,971**
Cash flows from investing activities :			
Proceeds from sale of property and equipment	47,645	30,328	5,134
Purchase of property and equipment	- 2,935,391	- 1,080,418	- 435,550
Cash paid for acquisitions, net of cash acquired	- 2,878,193	-	-
Purchase of investments	- 408,826	- 19,558	- 6,845
Purchase of short term investments	- 65,379,611	- 170,722,369	-
Proceeds from sale of short-term investments	77,574,611	111,985,163	-
Net cash provided by/used in investing activities	**6,020,235**	**- 59,806,854**	**- 437,261**
Cash flows from financing activities:			
Payment of receivable from shareholders	-	48,896	50,000
Distribution of earnings	-	-	- 163,469
Proceeds from sale of stock	-	54,784,157	3,951,105
Net cash provided by financing activities	**-**	**54,833,053**	**3,837,636**
Effect of change in exchange rates on cash	37,751	-	-
Net change in cash and cash equivalents	**7,249,222**	**- 5,582,731**	**5,982,346**
Cash and cash equivalents, beginning of period	567,158	6,149,889	167,543
Cash and cash equivalents, end of period	**7,816,380**	**567,158**	**6,149,889**
Supplement disclosures of non-cash financing activities			
Common stock issued for acquisition of Netmatic	24,902,808	-	-

The accompanying notes are an integral part of these financial statements

E. Notes to the Consolidated Financial Statements

I. Organisation and operations of the SinnerSchrader Group.

As of August 31, 2001 the SinnerSchrader Group (“SinnerSchrader” or “Group”) consists of SinnerSchrader Aktiengesellschaft (“SinnerSchrader AG” or “Company”), Sinner+Schrader Interactive Marketing GmbH (“SinnerSchrader IM”), Sinner+Schrader Interactive Software GmbH (“SinnerSchrader IS”), SinnerSchrader Netmatic GmbH (“SinnerSchrader NM”), SinnerSchrader UK Limited (“SinnerSchrader UK”), and SinnerSchrader Benelux BV (“SinnerSchrader BV”). The consolidated companies are electronic commerce (“eCommerce”) consulting and service organisations and serve other enterprises in the conception, implementation, establishment, and marketing of eCommerce solutions. The services include eCommerce strategy consulting, user experience design and development, software and systems development and integration, eCommerce solution management and maintenance, as well as online media campaign planning, implementation and controlling. In addition, SinnerSchrader AG holds minority stakes in companies that are concerned with establishing Internet-based businesses.

SinnerSchrader IM was founded in February 1997 and SinnerSchrader IS was founded in December 1997 as limited liability companies. With the aim of functioning as a holding company for SinnerSchrader IM and SinnerSchrader IS, Desideria Vermögensverwaltung GmbH was formed in July 1999 and converted from a limited liability company to a stock corporation (“Aktiengesellschaft”) and renamed to “SinnerSchrader Aktiengesellschaft” in August 1999. As part of the formation of SinnerSchrader AG the shareholders of SinnerSchrader IM and SinnerSchrader IS contributed their interest in these companies to a capital increase of SinnerSchrader AG for 6,000,000 no-par value ordinary shares of SinnerSchrader AG with a nominal value of € 1. On the same day, an outside investor purchased a total of 1,500,000 no-par value ordinary shares in SinnerSchrader AG with a nominal value of € 1 – 1,475,000 of which in conjunction with a capital increase – for a total cash contribution of DM 4 million. The consolidated financial statements for the periods ended prior to August 31, 1999 have been presented as if SinnerSchrader IM, SinnerSchrader IS, and SinnerSchrader AG had been combined from inception.

SinnerSchrader NM (formerly Netmatic Internet/Intranet Solutions GmbH, “Netmatic”) was acquired based on a purchase agreement signed September 18, 2000 for a purchase price of DM 3,000,000 in cash and 1,567,764 in no-par value ordinary shares of SinnerSchrader AG with a nominal value of € 1. After necessary shareholder approval was given on the annual shareholders’ meeting on December 12, 2000 the transaction was consummated in January against payment of the cash portion and issuance of 437,246 shares. The remaining 1,130,518 shares will be issued during 2001. SinnerSchrader NM is consolidated into the Group as from January 1, 2001.

SinnerSchrader is subject to a number risks, including but not limited to, operating in a new and rapidly evolving market, competition from larger companies, dependence on key personnel and key clients, overshooting cost of expansion both nationally and internationally, and a limited operating history.

II. Summary of significant accounting policies

a. Basis of Financial Statements

The consolidated financial statements have been prepared according to United States generally accepted accounting principles (US-GAAP). They include the accounts of SinnerSchrader AG and its wholly owned subsidiaries SinnerSchrader IM, SinnerSchrader IS, SinnerSchrader NM, SinnerSchrader UK, and SinnerSchrader BV. All significant intercompany transactions and balances between the companies have been eliminated. The accounts have been prepared after making necessary adjustments to the Company's books and records that are maintained in accordance with the German Commercial Code.

All references in the Notes to Consolidated Financial Statements to the periods "2000/2001", "1999/2000", and "1999" refer to the periods from September 1, 2000 to August 31, 2001, from September 1, 1999 to August 31, 2000, and from January 1, 1999 to August 31, 1999, respectively.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ form those estimates.

c. Foreign Currency

The functional currencies of SinnerSchrader's subsidiaries outside of Germany are the local currencies. The financial statements of these subsidiaries are translated to Deutsche Mark using period-end rates of exchange for assets and liabilities and average rates during the period for revenues, cost of revenues, and expenses. Translation gains and losses are accumulated as a component of shareholders' equity. Transaction gains and losses are reported in the consolidated statements of operations.

d. Fair value of financial instruments

SinnerSchrader's financial instruments, including cash equivalents, marketable securities, accounts receivable, accounts payable, are carried at amounts which approximate fair value.

e. Concentration of credit risk and significant customers

SinnerSchrader extends credit to its customers in the normal course of business, performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts.

Net receivables from and unbilled services to significant customers as a percentage of total net receivables and unbilled revenues were as follows:

	August 31, 2001	August 31, 2000	August 31, 1999
Customer A	33 %	8 %	20 %
Customer B	13 %	-	-
Customer C	-	13 %	17 %
Customer D	1 %	11 %	-
Customer E	2 %	10%	-
Customer F	4 %	8 %	25 %

Gross sales to significant customers as a percentage of total gross revenues were as follows:

	01.09.2000 31.08.2001	01.09.1999 31.08.2000	01.01.1999 31.08.1999
Customer A	34 %	13 %	9 %
Customer C	0.4 %	17 %	16 %
Customer F	7 %	8 %	12 %
Customer G	5 %	9 %	13 %
Customer H	-	-	15 %

In July 1999, SinnerSchrader entered into an arrangement with Customer C whereby the customer would receive a limited amount of service from SinnerSchrader, and, in exchange, SinnerSchrader entered into a convertible debt at par value of € 3.500, and has the option to convert the debt into 3,500 shares of Customer C at an exercise price of € 33 per share. This option expires in June 2004. The option to purchase shares of Customer C was valued at the date of grant at DM 116,600 assuming a risk-free interest rate of 5.4 %, an expected life of five years, and expected volatility of 70 %. This amount was first recorded as deferred revenue and later recognised as services were provided to Customer C. All services to be provided under the arrangement were provided prior to August 31, 2000.

The chairman of SinnerSchrader AG's supervisory board is general manager of Customer G. The Company recognised DM 1,894,576, DM 2,662,736, and DM 1,123,520 in revenue from this customer in 2000/2001, 1999/2000, and 1999, respectively. As of August 31, 2001 outstanding receivables from Customer G amounted to DM 170,866.

In 2000/2001 and 1999/2000 SinnerSchrader recognised DM 842,516 and DM 693,617, respectively, in revenues form services provided to related parties in which the Company has non-controlling equity interests.

f. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three to thirteen years. Depreciation expense is included in cost of revenues and operating expenses.

g. Goodwill and Other Purchased Intangibles

Goodwill and other purchased intangibles are being amortised on a straight-line basis over estimated useful lives ranging from three to five years.

h. Investments

August 31, 2001 in DM	Cost Basis	Unrealised Gains	Unrealised Losses/ Impairment	Recorded Basis
Money market funds	48,682,702	781,121	- 7,881	49,455,942
Total short-term investments	48,682,702	781,121	- 7,881	49,455,942
Convertible bond and embedded option	123,669	-	- 115,637	8,032
Equity interest	328,384	-	- 328,384	0
Loan to equity investee	100,000		- 100,000	0
Total investments	552,053	-	- 544,021	8,032

August 31, 2000 in DM	Cost Basis	Unrealised Gains	Unrealised Losses/ Impairment	Recorded Basis
Money market funds	59,772,877	378,311	-	60,151,188
Total short-term investments	59,772,877	378,311	-	60,151,188
Convertible bond	123,669	-	-	123,669
Equity interest	19,558	-	-	19,558
Total investments	143,228	-	-	143,228

August 31, 1999 in DM	Cost Basis	Unrealised Gains	Unrealised Losses/ Impairment	Recorded Basis
Convertible bond	123,669	-	-	123,669
Total investments	123,669	-	-	123,669

SinnerSchrader considers all investments with maturities of less than one year as of August 31, 2001 to be short-term. Short-term investment as of August 31, 2001 are comprised entirely of marketable securities. In accordance with Statement of Financial Accounting Standards No. 115 “Accounting for Certain Investments in Debt and Equity Securities,” SinnerSchrader has categorised these marketable securities as “available-for-sale”. Hence, unrealised gains/-losses are included as a separate component of shareholders’ equity, net of tax.

SinnerSchrader’s investments consist of equity interests, convertible securities and loans. The investments are accounted for under the cost method. SinnerSchrader assesses the fair market value of its cost-based investments and recognises any identified impairment.

SinnerSchrader received the convertible bond in exchange for services in 1999 as explained under e. above. In accounting for this convertible bond, the fair value of the embedded option was calculated on the basis of the Black-Scholes model, and the debt security was accounted for at par. The decrease in the fair value of the embedded option during 2000/2001 of DM 115,637 has been recorded against earnings.

The equity investment and loan to equity investee are related to the same company. This company filed for bankruptcy in September 2001. As a consequence, SinnerSchrader considered these investments impaired.

Effective 1 September 2000, SinnerSchrader has adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” The effects of adopting SFAS No. 133 were not material.

i. Impairment of long-lived assets

SinnerSchrader periodically evaluates the recoverability of the carrying amount of its long-lived assets in accordance with SFAS 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of.” Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Company will compare undiscounted net cashflows estimated to be generated by those assets to the carrying amount of those assets. When these undiscounted cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write the asset down to fair value, measured by the discounted estimated net future cash flows expected to be generated from the assets. During the periods ended August 31, 2001, August 31, 2000 and August 31, 1999, management believes that no such impairment exist beyond the impariment of investments referred to under h.

j. Statements of cash flows

SinnerSchrader paid DM 1,211, DM 1,268, DM 21 for interest in the fiscal periods 2000/2001, 1999/2000, and 1999, respectively. The Company paid DM 4,208,557, DM 2,096,508, and DM 30,180 for taxes in 2000/2001, 1999/2000, and 1999, respectively. In 2000/2001 the Company received income tax refunds in the amount of DM 772,943.

For the purpose of the consolidated statements of cash flows, SinnerSchrader considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of amounts on deposit at commercial banks.

k. Revenue Recognition

Project services. Services provided by SinnerSchrader range from consulting services for eCommerce strategies and concepts for transactional web solutions, the design and production of web based user front-ends, to the implementation of software for middleware and backend systems, as well as to maintenance and content management services for installed solutions. Project and service agreements are either on the basis of time and material or on a fixed-fee basis. Revenues pursuant to a fixed-fee contract are generally recognised as services are rendered on the percentage-of-completion method of accounting according to the provisions of Statement of Position (SOP) 81-1 of the American Institute of Certified Public Accountants (AICPA), "Accounting for Performance of Construction Type and Certain Production Type Contracts." Percentage of completion is determined based on the total efforts expended to date measured in man hours as a percentage of the total efforts expected to be incurred under the contract. Provisions for estimated losses on uncompleted contracts are made on a contract by contract basis and are recognised in the period in which such losses become probable. To date, no such losses have occurred. Revenues pursuant to time and materials contracts are generally recognised as services are performed. Revenues include reimbursable expenses charged to and collected from clients. Revenue recognised on the percentage of completion basis in advance of contractual billings is presented in the balance sheet as unbilled revenues.

Media services. SinnerSchrader also provides online-marketing services, i.e. the planning, design, execution and controlling of online-marketing campaigns, for Internet web sites mainly to project services customers. For these services, customers are billed for the cost of the related advertising space and for the campaign planning and controlling services rendered by SinnerSchrader either on the basis of a monthly fixed rate or as a percentage of the total value of advertising space managed, and for the design and production services of related online-marketing instruments on an hourly basis. Revenue from the reselling of advertising space is generally recognised according to the appearance of the respective advertisements. The additional services are generally recognised as performed on a monthly basis. While gross revenue include the entire amount invoiced, the cost of advertising space are excluded from net revenues. Any revenue recognised in advance of contractual billing is presented in the balance sheet as unbilled revenues net of advance payments received and plus advance payments made for advertising space.

Other services. SinnerSchrader also provides operational services, e.g. hosting services and application management and monitoring services. Fees for these services are generally billed and recognised on a monthly basis. In addition, SinnerSchrader provides customers with any required hardware and software on a by request basis. Revenue for third party hardware and software is realised upon delivery.

l. Advertising Expense

SinnerSchrader expenses the cost of advertising and promoting its services and the image of SinnerSchrader in general as incurred. These expenses are included in sales, general and administrative expenses in the consolidated statement of operations. They totalled DM 114,197, DM 492,204, DM 10,149 in the financial periods 2000/2001, 1999/2000, and 1999, respectively.

m. Stock Compensation

In October 1995, the Financial Accounting Standard Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 123 “Accounting for Stock-Based Compensation.” This standard permits the use of either a fair value based method of accounting or the method defined in Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees” to account for stock-based compensation arrangements.

SinnerSchrader has elected to account for its employee stock compensation arrangements in accordance with provisions of APB No. 25, and complies with the provisions of SFAS No. 123 to disclose the pro forma net income that would have resulted from the application of a fair value based method under section VI.b of these notes. Under APB No. 25, compensation expense is based on the difference, if any, on the date of grant between the fair market value of SinnerSchrader’s capital stock and the exercise price.

n. Comprehensive Income

Comprehensive income is the total of net income and all other non-owner changes in equity.

Accumulated other components of comprehensive income were as follows:

in DM	31.08.01	31.08.00	31.08.99
Unrealised gains on marketable securities available-for-sale	460,970	177,056	-
Foreign currency translation adjustment	32,991	150	-
Total	493,961	177,206	-

A summary of the components of other comprehensive income for the fiscal years 2000/2001 and1999/2000 is shown in the following tables:

2000/2001 in DM	Total before tax	Income tax	Total after tax
Unrealised gains/losses on marketable securities available for sale	394,929	- 111,015	283,914
Foreign currency translation adjustment	32,841	-	32,841
Total	427,770	- 111,015	316,755

1999/2000 in DM	Total before tax	Income tax	Total after tax
Unrealised gains/losses on marketable securities available for sale	378,311	- 201,255	177,056
Foreign currency translation adjustment	150	-	150
Total	378,461	- 201,255	177,206

The income tax shown for unrealised gains on marketable securities available for sale for fiscal 2000/2001 is net of an amount of DM 48,476 due to the change in the statutory tax rate from 53,2 % to 40,4 % which is effective for the Company as from September 1, 2001.

o. Net earnings per share

SinnerSchrader computes earnings per share in accordance with SFAS No. 128 “Earnings per Share”. Prior to August 1999, SinnerSchrader was composed of two limited liability companies, SinnerSchrader IM and SinnerSchrader IS, and there were no shares of common stock outstanding. Therefore, earnings per share for the periods prior to fiscal year 1999/2000 are provided on a pro forma basis as if the relative ownership interests in the limited liability companies were shares of SinnerSchrader Aktiengesellschaft the current holding company of the limited liability companies. Basic earnings per share are computed using the weighted-average number of vested shares of common stock outstanding. Diluted earnings per share are computed using the weighted average number of vested shares of common stock outstanding and, when dilutive, unvested common stock outstanding from potential common shares from options and warrants to purchase common stock using the treasury stock method. SinnerSchrader has granted options to purchase shares of common stock to its employees under the 1999 employee stock option program. All potential common shares have been excluded from the computation of diluted net loss per shares in 2000/2001 because the effect would be antidilutive.

In DM or shares	01.09.2000 31.08.2001	01.09.1999 31.08.2000	01.01.1999 31.08.1999
Net Income/ -Loss	-4,796,415	3,849,197	1,339,657
Basic weighted average shares of common stock outstanding	10,735,308	9,563,942	6,025,000
Basic earnings per share	- 0.45	0.40	0.22
Weighted average shares of common stock outstanding	10,735,308	9,563,942	6,025,000
Add: Stock option grants	-	44,336	-
Diluted average shares of common stock outstanding	10,735,308	9,608,278	6,025,000
Diluted earnings per share	- 0.45	0.40	0.22

p. Segment Reporting

SinnerSchrader has adopted the provisions of SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information”. SFAS No. 131 requires a new basis of determining reportable business segments (i.e., the management approach). This approach requires that business segment information used by management to assess performance and manage company resources be the source for information disclosure. SinnerSchrader engages in business activities in one operating segment, which provides integrated eCommerce strategy, implementation and marketing services. Revenue by geographic location are attributed to the country from which the sale is made. In 1999, 1999/2000 and 2000/2001 substantially all of SinnerSchraders´s revenues are attributed to Germany. In 2000/2001 SinnerSchrader also generated revenue in the United States, the Netherlands, and the United Kingdom.

q. Reclassifications

Certain prior year amounts have been reclassified to confirm to the current year presentation.

r. Recent accounting pronouncements

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 141 requires intangible assets to be recognised if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged, or pledged. As a result, it is likely that more intangible assets will be recognised under SFAS No. 141 than its predecessor, APB No. 16 although in some instances, previously recognised intangibles will be subsumed into goodwill.

Under SFAS No. 142, goodwill will no longer be amortised on a straight line basis over its estimated useful life, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined as a SFAS No. 131 operating segment or one level lower. Goodwill will no longer be allocated to other long-lived assets for impairment testing under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Additionally, goodwill on equity method investments will no longer be amortised; however, it will continue to be tested for impairment in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock." Under SFAS No. 142 intangible assets with indefinite lives will not be amortised. Instead they will be carried at the lower cost or market value and tested for impairment at least annually. All other recognised intangible assets will continue to be amortised over their estimated useful lives.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 although goodwill on business combinations consummated after July 1, 2001 will not be amortised. Early application is permitted for entities with fiscal years beginning after March 15, 2001, and the Company plans to adopt SFAS No. 142 effective September 1, 2001. On adoption the Company may need to record a cumulative effect adjustment to reflect the impairment of previously recognised intangible assets. In addition, goodwill on prior business combinations will cease to be amortised. Had the Company adopted SFAS No. 142 at January 1, 2001 the Company would not have recorded a goodwill amortisation charge of DM 4,129,500. The

Company has not determined the impact that these Statements will have on intangible assets or whether a cumulative effect adjustment will be required upon adoption.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale consistent with the fundamental provisions of SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Whilst it supersedes APB No. 30 "Reporting the Results of operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" it retains the presentation of discontinued operations but broadens that presentation to include a component of an entity (rather than a segment of a business). However, discontinued operations are no longer recorded at net realisable value and future operating losses are no longer recognised before they occur. Under SFAS No. 144 there is no longer a requirement to allocate goodwill to long-lived assets to be tested for impairment. It also establishes a probability weighted cash flow estimation approach to deal with situations in which there are a range of cash flows that may be generated by the asset being tested for impairment. SFAS No. 144 also establishes criteria for determining when an asset should be treated as held for sale.

SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. The provisions of the Statement are generally to be applied prospectively. The Company currently has no plans to dispose of any operations and accordingly, does not anticipate that adoption of SFAS No. 144 will have a material impact on its results of operations or its financial position.

III. Balance Sheet Components

a. Property and equipment

Property and equipment is comprised of the following:

in DM	31.08.01	31.08.00	31.08.99
Computer hardware and software	2,506,613	1,157,395	414,580
Furnitures and fixtures	1,651,029	689,425	464,218
Leasehold improvements	1,186,367	29,562	26,157
Total, at cost	5,344,009	1,876,382	904,955
Less: Accumulated depreciation	- 1,727,086	- 754,062	- 383,778
Total, at book value	3,616,923	1,122,320	521,177

b. Intangible assets

Certain intangible assets were acquired in connection with the Company's acquisition which were accounted for as a purchase. The following table summarises the cost and accumulated amortisation of intangible assets:

in DM	31.08.01	31.08.00	31.08.99	Est. useful life
Assembled work force and employment agreements	1,728,000	-	-	3 years
Customer lists	1,250,000	-	-	5 years
Goodwill	31,304,581			5 years
Total, at cost	34,282,581	-	-	
Less: Accumulated depreciation	- 4,680,167	-	-	-
Total, at book value	29,602,414	-	-	-

c. Consolidated schedule of fixed assets

The consolidated fixed assets schedule shows the changes in fixed assets during 2000/2001:

(see following page)

Consolidated schedule of fixed assets for the fiscal year 2000/2001

	ACQUISITION COST						ACCUMULATED DEPRECIATION; AMORTISATION; WRITE-DOWNS						NET BOOK VALUE	
	01.09.00	Acquisition of- businesses	Exchange rate- effects	Additions	Disposals	31.08.01	01.09.00	Acquisition of businesses	Exchange rate effects	Additions	Disposals	31.08.01	31.08.01	31.08.00
	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
Intangible assets														
Customer lists and asembled														
Work force acquired	-	2,978,000	-	-	-	2,978,000		-	-	550,667		550,667	2,427,333	-
Goodwill	-	31,304,581	-	-	-	31,304,581	-	-	-	4,129,500	-	4,129,500	27,175,081	-
	-	34,282,581		-	-	34,282,581	-	-	-	4,680,167	-	4,680,167	29,602,414	-
Tangible assets:												-		
												-		
Computer, hardware, software	1,157,395	453,377	323	1,081,487	185,969	2,506,613	289,118	128,709	41	634,883	92,403	960,348	1,546,265	868.277
Furniture and fixtures	302,538	176,139	60	1,209,476	37,184	1,651,029	66,057	29,070	5	690,566	35,176	750,522	900,507	236.481
Leasehold improvements	29,562	-	-	1,156,805	-	1,186,367	12,000	-	-	4,216	-	16,216	1,170,151	17.562
	1,489,495	629,516	383	3,447,768	223,153	5,344,009	367,175	157,779	46	1,329,665	127,579	1,727,086	3,616,923	1,122,320
Investments:														
Equity interest	19,558	-	-	308,826	-	328,384	-	-	-	328,384	-	328,384	-	19.558
Loan to equity investee	-	-	-	100,000	-	100,000	-	-		100,000	-	100,000	-	-
Convertible bond	123,669	-	-	-	-	123,669	-	-	-	115,637	-	115,637	8,032	123.669
	143,228	-		408,826	-	552,053	-	-		544,021	-	544,021	8,032	143.228
	1,632,723	34,912,097	383	3,856,594	223,153	40,178,643	367,175	157,779	46	6,553,853	127,579	6,951,274	33,227,369	1,265,548

d. Other current assets and prepaid expenses

The major components of other current assets and prepaid expenses are shown in the following table:

in DM	31.08.01	31.08.00	31.08.99
Tax receivables	3,791,991	3,412,188	
Deferred tax assets	-	-	100,072
Other current assets	391,771	130,206	9,926
Prepaid expenses	192,782	96,614	86,114
Total other current assets and prepaid expenses	4,376,544	3,639,008	196,112

e. Accrued Expenses

Accrued expenses consist of the following:

in DM	31.08.01	31.08.00	31.08.99
Accrued compensation	759,298	574,345	250,000
Accrued warranty expense	313,340	165,000	-
Other accruals	597,499	256,549	189,508
Total	1,670,137	995.894	439,508

The presentation of accrued expenses differs from previous years in the way that accruals for invoices to be received for expenses incurred before the balance sheet date are now presented under accounts payable. The figures for the fiscal years ended August 31, 2000 and August 31, 1999 are adjusted accordingly.

f. Commitments:

Facilities and certain furniture and equipment are leased under operating leases. As of August 31, 2001 future annual minimum lease payments are as follows

in DM	Minimum lease payments
01.09.01 – 31.08.02	3,586,033
01.09.02 – 31.08.03	3,358,806
01.09.03 – 31.08.04	3,090,356
01.09.04 – 31.08.05	2,676,923
01.09.05 – 31.08.06	2,495,458
Thereafter	0
Total	15,207,576

Total rent expense was DM 1,558,624, DM 650,743, and DM 231,659 in 2000/2001, 1999/2000 and 1999, respectively.

IV. Components of the statements of operations

a. Costs and operating expenses by expenditure

The split of costs of revenues and selling, administrative and research and development expenses by expenditure is shown in the following table:

in DM	01.09.00 31.08.01	01.09.99 31.08.00	01.01.99 31.08.99
Personnel cost	21,464,500	8,696,115	1,922,506
Cost of materials and services in cost of revenues			
Materials	266,718	1,290,267	41,913
Services	540,554	448,418	95,093
Depreciation of property & equipment	814,985	425,766	191,685
Other operating expenses	8,887,687	4,887,657	952,069
Total	31,974,444	15,748,223	3,203,266

b. Interest income and expense

Interest income and expense consists of the following components:

in DM	01.09.00 31.08.01	01.09.99 31.08.00	01.01.99 31.08.99
Interest income	2,026,902	569,577	12,066
Realised gains on marketable securities	571,154	1,035,671	
Interest expense	- 1,211	- 1,268	- 21
Fee expense in relation to gains on marketable securities	-	- 28,853	-
Interest income and expense	2,596,845	1,575,127	12,045

V. Acquisitions

On January 10, 2001, the Company acquired all shares of Netmatic Internet/Intranet Solutions GmbH ("Netmatic"), Hamburg, pursuant to a purchase agreement signed on September 18, 2000 which was approved by the ordinary shareholders' meeting on December 12, 2000. The total consideration for the shares was split in two instalments. The first instalment was determined at the execution of the purchase agreement to be DM 3,000,000 in cash and 437,246 ordinary shares of common stock of SinnerSchrader. The second instalment was made dependent on the performance of Netmatic in terms of revenue and operating profit margin for the year ended December 31, 2000. This instalment was fixed on March 31, 2001 to be 1,130,518 ordinary shares of common stock of SinnerSchrader. The shares of the second instalment were issued subsequent to the balance sheet date on October 18, 2001. Consequently, the value of the common stock to be issued as second instalment is not presented under equity, but shown as purchase price liability under current liabilities.

All shares to be issued under the purchase agreement are under lock-up for one to three years starting from January 1, 2001. In addition, three of the Netmatic selling shareholders are bound by the purchase agreement to form a partnership with the sole purpose of distributing 80,818 shares of common stock received as purchase price to the employees of Netmatic. The shares can be obained by the employees after vesting periods of 1, 2 and 3 years. 20 %, 30 %, and 50 %, of the total shares can be received on January 1, 2002, January 1, 2003, and January 1, 2004, respectively. The Company accounts for this program as deferred compensation acquired.

The acquisition was accounted for as a purchase and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair value. A summary of the acquisition follows:

in DM	
Cash	3,000,000
Common stock	34,852,763
Transaction cost	171,311
Total consideration	38,024,074
Fair value of net assets acquired	1,860,473
Excess of purchase price over fair value of net assets acquired	36,163,601

The excess of the purchase price over fair value of net assets acquired was allocated as follows:

in DM	
Assembled work force and employment agreements	1,728,000
Customer lists	1,250,000
Deferred compensation	1,881,020
Goodwill	31,304,581
Total	36,163,601

The allocation of the purchase price is based on preliminary estimates of fair value and is subject to revision based upon management's assessment of the fair value of the net assets acquired. Changes in the allocation of the purchase price would likely be limited to the adjustment of assigned values to intangible assets, recording of other intangible assets, resulting in a reduction of goodwill, if such assets and their respective values can be identified.

With the exception of deferred compensation, all assets are being amortised on a straight-line basis over lives ranging from three to five years. Deferred compensation is amortised according to the vesting schedule of the stock program.

Below are the unaudited pro-forma results of operations for the Company and Netmatic assuming that the acquisition of Netmatic were consummated at the beginning of each twelve month period ended August 31, 2001 and 2000.

in DM	01.09.00 31.08.01	01.09.99 31.08.00
Gross revenue	38,853,566	35,623,785
Net loss	- 6,805,946	- 3,114,053
Basic net loss per share	-0.59	- 0.28
Diluted net loss per share	- 0.59	- 0.28

The unaudited pro forma financial information is not necessarily indicative of the operating results that would have occurred had this acquisition been consummated as of September 1, 2000 and September 1, 1999, respectively, nor is it necessarily indicative of future operating results.

VI. Shareholders' equity

a. Initial public offering

In November 1999, SinnerSchrader AG issued 2,475,000 new shares of common stock as part of on an initial public offering on the Neuer Markt (225,000 shares thereof as greenshoe) at a price of € 12 per share. The offering raised aggregate proceeds - net of expenses for the floatation of DM 3.3 million - of DM 54.8 million. The cost resulting from the initial public offering were charged against the capital reserve net of tax of DM 1.76 million.

b. Employee stock option plans

SinnerSchrader 1999 Stock Option Plan:

In October 1999, the shareholders of SinnerSchrader AG approved the SinnerSchrader 1999 Stock Option Plan (the "1999 Plan") which provides for the granting of stock options to the members of the board of management of SinnerSchrader AG, the management of affiliated companies, all employees of SinnerSchrader AG, as well as all employees of affiliated companies. The total number of options that can be assigned by the board of management and the supervisory board of SinnerSchrader AG is 375,000 of which 40,000, 10,000, 55,000, and 270,000, respectively, are dedicated to the before mentioned groups.

Options granted under the 1999 Plan have an exercise price of 120 % of the average Frankfurt closing price during the ten trading days prior to the grant date. Options granted on November 1, 1999, the day of the initial public offering, had an exercise price of € 14,40. The options of the 1999 Plan vest in equal instalments of one third over two, three and four years. They have to be exercised within six years after the date of grant. As of August 31, 2001 a total of 226,800 stock options from the 1999 Plan were outstanding which were granted with an average exercise price of € 25,03. No options were granted to the board of management.

SinnerSchrader 2000 Stock Option Plan:

In December 2000, the shareholders of SinnerSchrader AG approved the SinnerSchrader 2000 Stock Option Plan (the “2000 Plan”) which provides for the granting of stock options to the members of the board of management of SinnerSchrader AG, the management of affiliated companies, all employees of SinnerSchrader AG, as well as all employees of affiliated companies. The total number of options that can be assigned by the board of management and the supervisory board of SinnerSchrader AG is 375,000 of which 40,000, 40,000, 55,000, and 240,000, respectively, are dedicated to the before mentioned groups.

Options granted under the 2000 Plan have an exercise price of 120 % of the average Frankfurt closing price during the ten trading days prior to the grant date. The options of the 2000 Plan vest in equal instalments of one third over two, three and four years. They have to be exercised within six years after the date of grant. As of August 31, 2001 no options were granted under the 2000 Plan.

SinnerSchrader applies APB No. 25 in accounting for its stock option plans. Had compensation expense for options granted in 2000/2001 and 1999/2000 been determined based on the fair value at the grant dates as prescribed by SFAS No. 123, SinnerSchrader’s net income and net income per share would have been affected as indicated in the following table:

in DM	01.09.00 31.08.01	01.09.99 31.08.00	01.01.99 31.08.99
Reported net income	- 4,796,416	3,849,197	1,339,657
Pro forma compensation expense due to options granted	- 1,513,271	- 870,964	-
Pro forma net income	- 6,309,687	2,978,233	1,339,657
Reported net income per share, basic	- 0.45	0.40	0.22
Pro forma net income per share, basic	-0.59	0.31	0.22
Reported net income per share, diluted	- 0.45	0.40	0.22
Pro forma net income per share, diluted	-0.59	0.31	0.22

Because additional option grants are expected to be made each year, the pro forma impact on the years 2000/2001 and 1999/2000 is not necessarily representative of the pro forma effects which may be expected in future years.

The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the options granted in the periods 2000/2001 and 1999/2000:

	01.09.00 31.08.01	01.09.99 31.08.00
Expected life of the option	3.5 years	3.5 years
Risk-free interest rate	4.2% - 5.1%	3.9% - 5.2%
Expected dividend yield	0%	0%
Expected volatility	92 %	90 %

The following table summarises the changes in the total options outstanding in the periods 2000/2001 and 1999/2000:

	Number of options granted	Weighted average exercise price € (DM)
Outstanding at August 31, 1999	-	-
Granted	189,100	33.64 (65.79)
Exercised	-	-
Canceled	- 23,800	38.37 (75.05)
Outstanding at August 31, 2000	165,300	32.96 (64.46)
Granted	145,900	17.21 (33.66)
Exercised	-	
Canceled	- 84,400	27.14 (53.08)
Outstanding at August 31, 2001	226,600	25.03 (48.95)

The subsequent table presents a summary of the stock options outstanding as of August 31, 2001

	Options outstanding			Options exercisable	
Range of exercise price €	Number	Weighted average remaining contractual life in years	Weighted average exercise price in €	Number	Weighted average exercise price in €
0.00 – 10.00	48,300	5.63	6.85	-	-
10.01 – 30.00	97,600	4.62	15.86	-	-
30.01 – 50.00	49,600	4.91	36.16	-	-
50.01 – 90.00	31,300	4.53	64.03	-	-
Total	226,800	4.90	25.03	-	-

c. Conditional capital

As of August 31, 2001 and August 31, 2000 the Company had conditional capital of € 750,000 and € 375,000, respectively, covering SinnerSchrader's 2000 Stock Option Plan and 1999 Stock Option Plan described under b.

d. Authorised capital

The Board of Management is authorised to increase the Company's share capital for a period ending September 30, 2004 with the approval of the Supervisory Board in one or more steps up to a maximum of 4,650,000 shares. On December 12, 2001, the Board of Management exercised its right and issued 437,246 shares of common stock in connection with the acquisition of Netmatic. Subsequent to the balance sheet date on October 18, 2001, the Board of Management issued another 1,130,518 of common stock related to the same transaction.

Additionally, the Board of Management is authorised to increase the Company's share capital for period ending September 24, 2004 with the approval of the Supervisory Board in one or more steps up to a maximum of 225,000 shares. In November 1999, the Company issued 225,000 shares based on this authorisation in connection with the greenshoe granted to banks as part of the initial public offering.

e. Equity adjustment

As discussed under I, the consolidated financial statements for periods prior to August 31, 1999 are presented as if all entities of SinnerSchrader were consolidated from inception. As a result, the contribution of SinnerSchrader IM and SinnerSchrader IS was recorded at historical book value of these companies in the consolidated balance sheet of SinnerSchrader. In order to present SinnerSchrader AG's common stock par value of € 7,500,000 it was necessary to correct the difference resulting from the consolidation of the equity accounts of DM 11,739,980 as an "Equity adjustment."

VI. Income tax.

SinnerSchrader accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." The provision for income taxes consists of the following:

in DM	01.09.00 31.08.01	01.09.99 31.08.00	01.01.99 31.08.99
Current	431,149	2,071,259	1,700,724
Deferred	- 145.078	2,288,683	- 176,553
Total	286,071	4,359,942	1,524,171

The provision for income taxes differs from the expected tax provision amount computed by applying the statutory income tax rate to income before taxes. For the fiscal periods ended August 31, 2001 the statutory income tax rate for income retained was at 53.2 % (1999/2000: 53.2%, 1999: 53.2 %) consisting of municipal trade tax ("Gewerbesteuer") at 19.0 % (1999/2000: 19.0 %, 1999: 19.0%), corporate tax ("Körperschaftsteuer") at 40 % (1999/2000:

40 %, 1999: 40 %) and a corporate tax surcharge ("Solidaritätszuschlag") of 5.5 % (1999/2000: 5.5 %, 1999: 5.5 %). On July 14, 2000 legislation was passed in Germany according to which the tax rate for corporate tax ("Körperschaftsteuer") will be reduced from 40 % to 25 % effective for all fiscal years starting after December 31, 2000. With the new corporate tax rate the total statutory income tax rate for income retained will amount to 40.4 %.

The old statutory tax rate of 53,2 % was still applicable for the Company since the fiscal year ended August 31, 2001 began prior to December 31, 2001. However, the reduced statutory tax rate was applicable for the German subsidiaries of the Company. For all deferred items the new statutory income tax has been used to compute deferred taxes. The following table presents the reconciliation of tax provisions shown in the statements of operations to the income tax provisions expected under the statutory income tax rate:

in DM	01.09.00 31.08.01	01.09.99 31.08.00	01.01.99 31.08.99
Tax provision (+), Tax credit (-) at statutory rate in Germany	- 2,399,429	4,367,129	1,524,171
Non deductible amortisation of goodwill and certain intangible assets acquired	2,477,951	-	-
Non deductible amortisation of deferred stock compensation	344,676	-	-
Non deductible other expenses	3,693	8,477	-
Valuation allowance and difference in tax rate concerning foreign subsidiaries, net of tax-effects on write-downs on investment in foreign subsidiaries	119,437	71,241	-
Corporate tax deduction due to assumed foreign withholding tax	- 22,493	- 129,551	-
Various effects due to the structuring of the domestic tax for SinnerSchrader concerning group internal dividend payments and the corporate tax surcharge	171,673	83,747	-
Applicability of lower tax rate for domestic subsidiaries	- 346,172	-	-
Change in tax rate for deferred taxes	- 59,276	- 45,001	-
Other	- 3.987	3,900	-
Provision for income tax	286,071	4,359,942	1,524,171

The deferred tax position consists of the following items:

in DM	31.08.01	31.08.00	31.08.99
Deferred tax assets:			
Tax on loss carry forwards	370,372	26,783	100,072
Valuation allowance	- 370,372	- 26,783	
Total deferred tax assets	0	-	100,072
Deferred tax liabilities:			
Valuation of unfinished/unbilled services according to the percentage of completion method	180,846	329,885	-
Valuation of unrealised gains on marketable securities available for sale	356,920	201,255	-
Valuation of fixed assets	259,520	96,399	25,633
Valuation of current assets	51,224	30,289	-
Total deferred tax liabilities	848,510	657,828	25,633

8. Summary of Significant Differences between US-GAAP and German Law with regard to accounting, Valuation and Consolidation Principles

a. General

The consolidated financial statements of SinnerSchrader Aktiengesellschaft (hereinafter referred to as 'the Company' or 'SinnerSchrader AG') at 31 August 2001, were drawn up in accordance with § 292a of the German Commercial Code (HGB) applying the US generally accepted accounting principles ('US-GAAP') and German accounting standard No.1 (DRS 1) of the German Accounting Standards Committee (Deutscher Standardisierungsrat DSRC e.V.) as consolidated financial statements with discharging effect.

The regulations of the Commercial Code (HGB) and of the German Stock Corporation Act (AktG) differ in certain key aspects from the US-GAAP. The main differences which could be relevant for assessing the assets and liabilities, financial position and results of the company are presented below.

Under the Commercial Code (HGB), all balance-sheet and income-statement lines must be presented in the form and sequence specified in §§ 266, 275 HGB. Under US-GAAP, items are compiled differently and the sequence of the balance-sheet lines begins with the short-term items.

Under US-GAAP, the short-term parts of long-term receivables and liabilities are stated in a separate line of the balance sheet. The part which is due within one year is treated as being short-term.

b. Tangible assets

Unlike in the HGB accounts, acquired standard software for internal use is not shown as an intangible asset but is included within tangible assets as plant and office equipment. The manufacturing cost of software developed in-house can be capitalised under US-GAAP and depreciated over the normal operating service life. Under HGB, software created in-house and classified as tangible assets cannot be capitalised. In the business year and in the previous years the Company took all manufacturing costs of software developed in-house into account as expense, also in accordance with US-GAAP.

Pursuant to HGB, accelerated depreciation permitted under German Income Tax Law (§ 7 EStG) is stated in as special reserves and dissolved in with income effect over the useful life of the assets concerned. In accordance with US-GAAP depreciation only permissible under tax law was not taken into account.

Under HGB, depreciation was charged in agreement with the tax regulations on a straight-line basis applying the half-year method ("Halbjahresmethode"). Under US-GAAP, straight-line depreciation was charged as from the day of the addition.

c. Deferred taxes on loss carry forwards

According to HGB, deferred tax refund claims arising from tax loss carry-forwards may not be stated in the balance sheet, as the expected future tax savings are deemed to have not yet been realised. Under US-GAAP such future tax refund claims have to be capitalised. Their value depends on whether it is more likely then not that they can be used before they expire. In the 1999/2000 business year, the company completely realised the tax loss carry-forwards which had been capitalised. The capitalised tax loss carry-forwards as of 31 August 2001 of the consolidated companies SinnerSchrader UK Ltd., SinnerSchrader Benelux B.V. and NetMatic Inc. were written down to zero owing to the uncertainty of realisation.

d. Employee stock options

Under US-GAAP, stock-based compensation paid to staff can be stated on the balance sheet in two ways. According to one method the market value of the employee shareholding is determined and distributed as expense over the vesting time of the share option. Alternatively, only the difference between the exercise price of an option and the market price of the stock concerned at the time the option was granted (intrinsic value) may be spread as expense over the vesting time. When applying the latter method, the impact on net income of accounting for stock-based compensation using the first method must be disclosed in a pro-forma calculation in the financial statements. SinnerSchrader AG has selected the intrinsic value method to account for its stock-option plans.

As indicated, the difference between the market value of the underlying security and the exercise price of an option at the time of grant must under US-GAAP be treated as personnel expense pro rata over the vesting period of the option and carried accordingly as a deferred item in shareholders' equity. As at the time of the grant, the intrinsic value of the options was negative, no personnel expense from the granting of share options needed to be taken into account under US-GAAP.

Under the prevailing accounting practice pursuant to HGB, only the capital increase would be taken into account upon exercising of the options. Personnel expense is not taken into account.

e. Financial assets

Financial assets contain convertible bonds which a customer transferred to SinnerSchrader as partial payment for services provided by SinnerSchrader. These were valued at fair market value at the time they were transferred. For the calculation of the fair value the option rights contained in the convertible bond were valued applying the Black-Scholes model.

Under HGB, in such exchange transactions the value of the asset transferred is applied as the basis for valuation at acquisition cost.

f. Equity capital

Under HGB, the Company would have hat to draw up consolidated financial statemtents for the first time following the acquisition of Sinner+Schrader Interactive Marketing GmbH and Sinner+Schrader Interactive Software GmbH on 27 August 1999. The difference between the investment stated at market value and the equity of the subsidiaries would have to be distributed in line with the actual values of the assets and liabilities included. The remaining amount would have to be stated as goodwill and either amortised over the expected useful life or netted with the capital reserve on the face of the balance sheet. The subscribed capital of the Company would have been the consolidated subscribed capital.

Under US-GAAP, the contribution of the shares of Sinner+Schrader Interactive Marketing GmbH and Sinner+Schrader Interactive Software GmbH to SinnerSchrader AG is made at the book value of the equity capital of these companies. Accordingly, no differences arose from these transactions under US-GAAP. To reflect the capital stock of SinnerSchrader of € 7,500,000 an adjustment item is therefore stated in equity capital.

Under US-GAAP, the capital consolidation of the Company was prepared in line with APB No. 16 “Business Combinations” as a “transaction under common control”, according to which the shares of SinnerSchrader IM and of SinnerSchrader IS are contributed to SinnerSchrader AG at the book value of the respective equity. Consequently, no remaining amount arose from these transactions under US-GAAP. To reflect the capital stock of SinnerSchrader AG of € 7,500,000 an adjustment item is therefore stated in shareholders’ equity.

In addition no specific date for the initial consolidation applies under US-GAAP, so that the disclosures made before the founding of SinnerSchrader AG reflect the respective Group structure at that time.

g. Business combinations

For capital consolidation in connection with business combinations the purchase accounting method is applied under US-GAAP as well as under HGB. According to this method, upon consummation of the business combination the assets and liabilities of the company acquired are revalued, any difference remaining between the purchase price and the net assets acquired is stated as goodwill and amortised over the expected useful life. SinnerSchrader AG paid for parts of the purchase price by issuing new shares. Under US-GAAP, the cost of the acquisition is determined in this case according to the average market value of the shares of SinnerSchrader AG in a representative period prior to and after announcement of the acquisition. Parts of the purchase price were subject to a variable price clause according to the business development of the company acquired. In this case the acquisition cost is based on the market value of the shares at the time at which the variable price components were finally determinable.

Under HGB, the acquisition costs would have been determined by the price at which the shares were issued.

Under US-GAAP, income or losses of the acquired company are to be taken into account as from the time of the consummation of the business combination. Under HGB, income or losses of the acquired company can, under certain circumstances, only be taken into account at a later date.

h. Deferral of personell expense

In connection with the acquisition of Netmatic part of the purchase price to be paid in shares of the Company accrues indirectly to the staff of the acquired company. Under US-GAAP, this part is to be charged against income over the period over which the shares are likely to be issued to the employees. As these shares derive from a capital increase, the shareholders' equity has to be corrected accordingly by a deferred compensation item. The deferred compensation item is dissovled pro rata through the retained earnings, so that at no time an increase of shareholders' equity is shown for this portion of the capital increase.

Under HGB this part of the capital increase would have been attributed to the acquisition cost and as a result would have increased goodwill.

i. Revenue recognition

Under US-GAAP, revenue for services is recognised in accordance with American Institute of Public Accountants Statement of Position (SOP) 81-1 "Accounting for performance of construction type and certain production type contracts". Services in process are under US-GAAP entered according to the percentage of completion method in which the respective project progress leads to the proportional recognition of revenue. Application of the percentage of completion method is subject to the traceable and verifiable recording of project progress.

Under HGB, the completed contract method has to be applied under which services in process are included in inventories at manufacturing cost. The revenue is not taken into account until the services have been completed.

j. Valuation of securities classified as current assets (available-for-sale)

Under US-GAAP, securities under current assets are stated at their market value on the balance-sheet date if they are held available for sale at any time. Gains or losses that have not yet been realised by sale are stated without affecting net income as adjustment item in shareholders' equity and are part of comprehensive income.

Under HGB, SinnerSchrader AG states securities classified as current assets at the lower of acquisition cost and market value.

k. Costs of initial public offering

According to US-GAAP, costs in connection with the initial public offering on the stock market are to be treated as a reduction of the proceeds from the issuing of the shares net of the effect from the tax deductibility of such expenses. Under HGB, these costs amounting to DM 3.3 million represent other operating expenses.

Hamburg, October 2001

Oliver Sinner Matthias Schrader Detlef Wichmann Thomas Dyckhoff

Auditors´ Opinion

We have audited the consolidated financial statements, consisting of balance sheet, income statement, statement of shareholders´ equity, cash flow statement and notes to the consolidated financial Statements of SinnerSchrader Aktiengesellschaft for the financial year from 1 September 2000 to 31 August 2001. The preparation and the content of the consolidated financial statements is the responsibility of the Company´s management. Our responsibility is to express an opinion on the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), based on our audit.

We conducted our audit of the consolidated financial statements pursuant to German auditing standards and in compliance with the generally accepted auditing principles set forth by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The scope of the audit was planned taking into account our understanding of business operations, the Company´s economic and legal environment, and any anticipated potential errors. An audit includes examining, mainly on a basis of spot checks, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present in compliance with U.S.-GAAP a true and fair view of the financial position, the results, and cash flows of the Company.

Our audit, which also includes the management report for the financial year from 1 September 2000 to 31 August 2001, prepared by the legal representatives of the Company, did not give any cause for qualification. In our opinion the management report accurately presents, in all material respects, the situation of the Company and the risks arising from future developments. Furthermore, we confirm that the consolidated financial statements and the management report meet the requirements for an exemption to present consolidated financial statements and a management report according to German law.

Hamburg, 06 November 2001

ARTHUR ANDERSEN
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Nendza	Schneider
Wirtschaftsprufer	Wirtschaftsprüfer

Financial statements according to HGB of SinnerSchrader Aktiengesellschaft

A. Balance sheets as of 31 August 2001, 31 August 2000 and 31 August 1999

A S S E T S	31.08.01 in DM	31.08.00 in DM	31.08.99 in DM
Fixed Assets			
Intangible assets			
Concessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	550,699	-	-
Tangible assets			
Other equipment, plant and office equipment	649,835	3,515	-
Leasehold improvements	1,016,362	-	-
Advance payments and assets under construction	140,443	-	-
	1,806,640	3,515	-
Financial assets			
Shares in affiliated companies	48,031,982	12,325,899	12,293,804
Investments	-	19,558	-
	48,031,982	12,345,457	12,293,804
	50,389,321	12,348,972	12,293,804
Current assets			
Receivables and other assets			
Receivables from affiliated companies	2,400,466	1,480,793	-
Other assets	4,831,354	2,705,943	7,003
	7,231,820	4,186,736	7,003
Securities			
Other securities	48,572,139	59,772,877	-
Cash on hand and at banks	7,685,421	74,898	3,950,789
	63,489,380	64,034,512	3,957,792
Prepaid expense	110,632	78,336	-
Deficit not covered by equity	-	-	145,722
	113,989,333	76,461,820	16,397,318
L I A B I L I T I E S AND S H A R E H O L D E R S` E Q U I T Y			
Shareholders` equity			
Subscribed captial (conditional capital DM 1,466,867; previous years: DM 733,436; DM 0)	20,364,583	19,509,404	48,895
Capital surplus	81,015,369	54,872,552	-
Reserves			
Statutory reserves	2,764,079	354,494	-
Retained earnings	921,359	118,164	- 194,617
Deficit not covered by equity	-	-	145,722
	105,065,390	74,854,614	-
Contribution made for a capital increase not yet/yet resolved	5,992,084	-	16,196,013
Accruals			
Accrued tax liabilities	528,973	304,302	-
Other accrued liabilities	389,741	660,591	150,000
	918,714	964,893	150,000
Liabilities			
Liabilities to banks	-	2,135	-
Trade liabilities	308,248	560,112	51,305
Payables to affiliated companies	-	1,669	-
Other liabilities	1,704,897	78,396	-
- Thereof taxes: DM 1,633,537 (previous years: DM 36,224.44; DM 0)			
- Therof relating to social security and similar obligations DM 42,495 (previous years: DM 8,082.21 ; DM 0)			
	2,013,145	642,312	51,305
	113,989,333	76,461,819	16,397,318

The accompanying notes are an integral part of these financial statements

B. Statements of operations
for the fiscal years 2000/2001, 1999/2000 and the partial fiscal year 1999

	01.09.00 31.08.01 in DM	01.09.99 31.08.00 in DM	19.07.99 31.08.99 in DM
Revenues	2,697,407	892,743	-
Other operating income	783,379	1,062,437	-
Personnel expense			
Wages and salaries	- 2,432,628	- 1,173,639	-
Social security	- 261,954	- 29,531	-
Depreciation of intangible assets, property and equipment	- 150,509	- 7,479	-
Other operating expense	- 3,979,174	- 6,264,337	- 194,617
Income from participations	7,119,974	5,428,571	-
- thereof from affiliated companies DM 7,119,974 (previous years: DM 5,428,571, DM 0)			
Income from profit/loss transfer agreements	419,752	-	-
Other interest and similar income	2,029,587	1,169,691	-
Depreciation of financial assets and securities classified as current assets	- 848,990	-	-
Expense from profit/loss transfer agreements	- 34,832	-	-
Interest and similar expense	- 53,118	- 415	-
Income from ordinary activities	**5,288,894**	**1,078,041**	**- 194,617**
Taxes on income	- 2,075,324	- 410,192	-
Other taxes	- 790	- 574	-
Net income	**3,212,780**	**667,275**	**- 194,617**
Profit/loss carried forward	118,164	- 194,617	-
Additions to statutory reserves	- 2,409,585	- 354,494	-
Balance sheet profit	**921,359**	**118,164**	**- 194,617**

The accompanying notes are an integral part of these financial statements

C. Notes to the Financial Statements at 31 August 2001

1. Legal fundamentals

The company is considered to be a large corporation as defined by § 267 of the German Commercial Code (HGB). The annual financial statements were prepared in compliance with the regulations of the Commercial Code (HGB) and of the German Stock Corporation Act (AktG).

2. Accounting and valuation principles

The annual financial statements are drawn up in DM.

Tangible and intangible assets are stated at acquisition or manufacturing cost less scheduled depreciation. The straight-line method of depreciation is applied with useful lives of three to fifteen years. The full annual rate of depreciation is applied to additions of movable assets in the first half of the fiscal year and half the annual rate to additions in the second half of the year. Low-value assets with acquisition costs of up to DM 800 are depreciated in full in the year of addition. Depreciation of leashold improvements to the office building in Gasstrasse will start as from the date of occupation which was after the balance sheet date.

Financial assets are stated at purchase cost or at the lower value applicable on the balance sheet date.

Receivables and other assets are recorded at their nominal value. Receivables in foreign currency are stated at the lower of the original exchange rate or theexchange rate on the balance sheet date.

Other accrued liabilities cover all recognisable risks. They are stated at the amount which appears necessary according to reasonable commercial judgement.

Liabilities are recorded at the amount repayable. Foreign currency liabilities are stated at the higher of the original exchange rate or the exchange rate prevailing on the balance sheet date.

3. Restatement of the prior year accounts

The financial statements of the company as of 31 August 1999 and as of 31 August 2000 were restated owing to a change in the exercising of tax valuation options as of31 August 1999, audited by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft GmbH and adopted by the Management Board and Supervisory Board with resolution of 27 February 2001. In both sets of accounts the change exclusively affected the shares in affiliated companies and the capital reserve. The retained earnings remained unchanged in both sets of accounts.

4. Explanatory notes on items in the balance sheet

a. Fixed assets

The development of fixed assets is presented in the following schedule:

Acquisition and manufacturing costs in DM	01.09.2000	Additions	Disposals	31.08.2001
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets	**-**	**587,508**	**-**	**587,508**
Tangible assets:				
Other equipment, plant and office equipment	**10,994**	**760,451**	**861**	**770,584**
Leasehold improvements	**-**	**1,016,362**	**0**	**1,016,362**
Advance payments and assets under construction	**-**	**140,443**	**0**	**140,443**
Financial assets:				
Shares in affiliated companies	**12,325,899**	**36,016,126**		**48,342,025**
Investments	**19,558**	**308,826**		**328,384**
Loans to investee companies	**-**	**100,000**		**100,000**
Total	**12,356,451**	**38,929,716**	**861**	**51,285,306**

Accumulated depreciation in DM	01.09.2000	Additions	Disposals	31.08.2001
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets	**-**	**36,809**	**-**	**36,809**
Tangible assets:				
Other equipment, plant and office equipment	**7,479**	**113,700**	**430**	**120,749**
Leasehold improvements	**-**	**-**	**-**	**-**
Advance payments and assets under construction	**-**	**-**	**-**	**-**
Financial assets:	**-**	**-**	**-**	**-**
Shares in affiliated companies	**-**	**310,043**	**-**	**310,043**
Investments	**-**	**328,384**	**-**	**328,384**
Loans to investee companies	**-**	**100,000**	**-**	**100,000**
Total	**7,479**	**888,936**	**430**	**895,985**

Net book values in DM	01.09.2000	31.08.2001
Intangible assets:		
Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets	-	550,699
Tangible assets:		
Other equipment, plant and office equipment	3,515	649,835
Leasehold improvements	-	1,016,362
Advance payments and assets under construction	-	140,443
Financial assets:	-	-
Shares in affiliated companies	12,325,899	48,031,9
Investments	19,558	-
Loans to investee companies	-	-
Total	**12,348,972**	**50,389,321**

b. Receivables and other assets

Receivables and other assets at the amount of DM 7,231,818 are due within one year. The other assets relate to a very large extent to corporation tax refund claims against the internal revenue service.

c. Securities

The securities consist of shares in money market and similar funds, which are valued at acquisition cost.

d. Prepaid expense

Prepaid expense to the amount of DM 110,632 mainly consist of exceptional lease payments for company vehicles, insurance premiums and the annual fees fordesignated sponsors.

e. Share capital

The company's subscribed capital amounted to € 10,412,246 (DM 20,364,583.09) as of 31 August 2001. It is made up of 10,412,246 non-par value bearer shares, of which 437,246 were subscribed from the authorised capital in the fiscal year 2000/2001.

By resolution of the Annual General Meeting of 8 October 1999, with supplement of 26 October 1999, the Management Board was authorised to increase the share capital by 30 September 2004, once or several times by up to € 4,650,000 (DM 9,094,609.50) with the approval of the Supervisory Board by issuing non-par value bearer shares against cash contribution or contribution in kind without confering subscription rights to existing shareholders (Authorised capital II). On the balance sheet date the authorised capital amounted to € 4,212,754.

By resolution of the Management Board with the approval of the Supervisory Board of 12 December 2000, the share capital of the company was increased by € 437,246 (DM 855,178.84) from the Authorised capital II. The capital was increased by issuing new bearer shares against contribution in kind. The subject matter of the contribution in kind was the contribution of all shares in Netmatic Internet/Intranet Solutions GmbH, Hamburg, in accordance with the contribution agreement of 18 September 2000.

Owing to a variable purchase price agreement, the capital increase related to the acquisition of Netmatic was split into to instalments. The first instalment of 437,246 shares was issued in the fiscal year 2000/2001 and the subscribed capital was increased accordingly.

The total number of shares to be issued in exchange for all share in Netmatic was determinable first time on 31 March 2001. As a result in addition to the first instalment, a second capital increase by € 1,130,518 (DM 2,211,101,02) from the Authorised capital II was due for the contribution of all shares in Nematic. This is recorded under "contribution made to a capital increase not yet resolved". On 18 October 2000 the Management Board with the approval of the Supervisory Board passed the necessary resolution for this capital increase.

By resolution of the Annual General Meeting of 26 October 1999, a conditional capital to the amount of € 375,000 (DM 733,436.25) was created for the granting of rights to purchase 375,000 non-par value shares to employees and members of the management of the company and of affiliated companies ("1999 Option Program"). Of the option rights available, 226,800 options with an average exercice price of € 25.03 had been issued to employees of the company and of affiliated companies at 31 August 2001. None of these option rights had been exercised as at the balance sheet date.

By resolution of the Annual Shareholders' Meeting of 12 December 2000, a conditional capital to the amount of € 375,000 (DM 733,436.25) was created for the granting of rights to purchase 375,000 non-par value shares to employees and members of the management of the company and of affiliated companies (“2000 Option Programme”). None of the option rights available had been issued as at 31 August 2001.

f. Capital reserve

The capital reserve developed as follows in the 2000/2001 fiscal year:

Capital reserve as at 31.8.2000	DM	54,872,552
Surplus from capital increases	DM	26,142,817
Capital reserve as at 31.08.2001	DM	81,015,369

The surplus derives from the capital increase against contribution in kind in connection with the acquisition/contribution of Netmatic Internet/Intranet Solutions GmbH

g. Accrued liabilities

Accured tax liabilities to the amount of DM 528,973 relate to municipal trade tax for the Group with respect to that tax which comprises the domestic subsidiaries.

The other accrued liabilities amounting to DM 389,741 were mainly set up for costs connected with the annual financial statements, holiday entitlements and outstanding accounts.

h. Liabilities

All liabilities, which amount to DM 2,013,145, have a residual term of up to one year. The other liabilities mainly relate to value-added tax liabilities for the domestic Group for value-added tax purposes and liabilities for payroll and church tax.

5. Explanatory notes on items in the statement of operations

a. Revenues

The revenues of DM 2,697,407 relate to management services provided by the company to the affiliated companies in the Group and to the charging on ofof proportional rentexpense.

b. Other operating income

The other operating income stems with an amount of DM 576,683 primarily from income from the sale of securities classified as current assets. Additionally, it is derived from cost reimbursements by affiliated companies, insurance compensation payments and the release of holiday accruals.

c. Income from investments

The income derives from distributions by the domestic subsidiaries of SinnerSchrader AG.

d. Income and expense from profit and loss transfer agreements:

On 31 October 2000 the company signed profit and loss transfer agreements, with its subsidiaries SinnerSchrader Interactive Marketing GmbH and SinnerSchrader Interactive Software GmbH, effective as of 1 September 2000. The corresponding results derive from the partial fiscal years ending on 31 December 2000 of these companies.

e. Depreciation of financial assets

The depreciation mainly relates to the depreciation of the investments in the subsidiary in the United Kingdom and in LetMeShip GmbH. With reference to the subsidiary in the United Kingdom the Management Board resolved in August 2001 to discontinue the business activities on the British market for the time being. LetMeShip GmbH applied for insolvency in September 2001.

f. Interest income and expense

Interest income derives for the investment of liquid funds and other securities. Interest expense was incurred within centralised liquidity management, which the company operates for the domestic subsidiaries.

g. Proposal for disposition of earnings

The Management Board and Supervisory Board propose to the Annual Shareholders' Meeting to carry forward the balance sheet profit of DM 921,359 to the new fiscal year.

6. OTHER INFORMATION

a. Other financial obligations

Obligations from rent and lease contracts	in DM
1.9.2001–31.8.2002	2,352,807
1.9.2002–31.8.2003	2,297,794
1.9.2003–31.8.2004	2,285,757
1.9.2004–31.8.2005	2,281,695
1.9.2005–31.8.2006	2,495,459
After 1.9.2006	0

The financial obligations mainly relate to fix-term rent and lease contracts.

b. Employees

On 31 August 2001, the company employed 21 staff. An average of 13 staff were employed for the fiscal year 2000/2001.

c. Management board

The following persons were members of the Management Board in the fiscal year 2000/2001:

Matthias Schrader, Chief Executive Officer
Oliver Sinner, Chief Executive Officer
Thomas Dyckhoff, Chief Financial Officer
Detlef Wichmann, Chief Technology Officer

The remuneration of the Management Board in the fiscal year totalled DM 975,548. All members of the Management Board are active for the company full time.

d. Supervisory board

The members of the Supervisory Board were as follows in the fiscal year:

Dr. Markus Conrad, Chairman
Managing Partner of Georg Lingenbrink GmbH & Co., Hamburg
Member of the Supervisory Board of Tchibo Holding AG, Hamburg
Member of the Supervisory Board of 2000 Blumen New Media AG, Norderstedt

Fritz Seikowsky, Deputy Chairman,
Managing Partner of DB Capital Partners, Frankfurt
Member of the Supervisory Board of insure.XL GmbH, Munich

Reinhard Pöllath,
Attorney at Law, Munich
Chairman of the Supervisory Board of 2000 Blumen New Media AG, Norderstedt
Member of the Supervisory Board of TA Triumph-Adler AG, Nuremberg
Member of the Supervisory Board of Wanzl Metallwarenfabrik GmbH, Leipheim
Member of the Supervisory Board of F-LOG AG, Greven
Member of the Supervisory Board of Tchibo Holding AG, Hamburg
Chairman of the Supervisory Board of Deutsche Woolworth GmbH & Co. OHG, Frankfurt
Member of the Supervisory Board of Tchibo Frisch-Röst-Kaffee GmbH, Hamburg
Member of the Supervisory Board ot Verwaltungsgesellschaft Otto Versand mbH, Hamburg

The remuneration of the Supervisory Board amounted to DM 35,205 in the fiscal year.

e. Investments

The shareholdings of SinnerSchrader Aktiengesellschaft are as follows:

Company	Share in %	Currency	Nominal capital	Equity capital	Last annual result
SinnerSchrader Interactive Marketing GmbH, Hamburg 1)	100.00	DEM	50,000	3,862,448	931,080
SinnerSchrader Interactive Software GmbH, Hamburg 1)	100.00	DEM	50,000	91,021,40	–34,832
Netmatic Inc, Denver, USA4 2)4)	100,00	USD	5,000	-44,023	-37,069
SinnerSchrader Netmatic GmbH, Hamburg 2)	100.00	DEM	54,000	1,627,786	1,504,583
SinnerSchrader UK Ltd., London, UK	100.00	GBP	100,000	–278,233	–336,390
SinnerSchrader Benelux BV, Rotterdam, Netherlands 3)	100.00	NLG	39,667	-	-
LetMeShip GmbH, Hamburg 2)	24.94	DEM	104,148	–1,171,328	–1,871,515

1) Partial fiscal year from 1 September to 31 December 2000; before profit or loss.
2) Equity capital as at 31 December 2000, net earnings of 2000.
3) The company was established on 1 February 2001; no financial statements are as yet available.
4) The interest is held indirectly through SinnerSchrader Netmatic GmbH.

By agreement of 18 September 2000, SinnerSchrader AG acquired all the shares in Netmatic Internet/Intranet Solutions GmbH, Hamburg. The final transfer of the shares took place in January 2001. According to the contractual arrangement the purchase price is to be paid mainly in shares of SinnerSchrader AG. The requisite capital increase for the first purchase price instalment to the amount of 437,246 non-par value shares was executedin the fiscal year. For the secondinstalment of 1,130,518 non-par value shares a resolution to increase the capital was taken after the balance sheet date on 18 October 2001.

By agreement of 28 August 2001, and effective as from1 January 2001 the subsidiaries SinnerSchrader Interactive Software GmbH and SinnerSchrader Netmatic GmbH (previously Netmatic Internet/Intranet Solutions GmbH) were merged with SinnerSchrader Interactive Marketing GmbH. By resolution of 28 August 2001, the company was renamed SinnerSchrader Deutschland GmbH. In advance of the merger the capital increase necessary for the changeover to the euro was carried out at SinnerSchrader Interactive Marketing GmbH. The application for entry into the Commercial Register was made on 28 August 2001. The entry has not yet been effected.

Hamburg, October 2001

Oliver Sinner Matthias Schrader Detlef Wichmann Thomas Dyckhoff

D. Additional information on the shares and share options held by Board members of SinnerSchrader AG (unaudited):

Shares	01.09.2000	Additions	Disposals	31.08.2001
Management Board members:				
Oliver Sinner	2,272,000	125,000	50,000	2,347,000
Matthias Schrader	2,061,175	125,000	48,500	2,137,675
Detlef Wichmann	368,100	-	45,000	323,100
Thomas Dyckhoff	49,950	-	-	49,950
Supervisory Board members:				
Dr. Markus Conrad	187,500	-	-	187,500
Fritz Seikowsky	4,000	-	-	4,000
Reinhard Pöllath	-	-	-	-
Total	4,942,725	250,000	143,500	5,049,225

On 01.09.2000 and 31.08.2001, respectively, the members of the Management Board and of the Supervisory Board did not hold any options on shares in SinnerSchrader AG. In the period under review there no additions or disposals of such options occured.

E. Statements of cash flow
for the fiscal years 2000/2001, 1999/2000 and the partial fiscal year 1999 (unaudited)

	01.09.00 31.08.01 DM	01.09.99 31.08.00 DM	19.07.99 31.08.99 DM
Cash flows from operating activities			
Net income/loss	3,212,780	667,275	- 194,617
Adjustments to reconcile net income to net cash provided by operating activities			
Amortisation of intangible assets, property and equipment	150,509	7,479	-
Depreciation of financial assets and securities classified as current assets	848,990	-	
Loss on disposal of property and equipment	431	-	-
Gain/loss on disposal of market securities	- 576,683	- 991,012	-
Changes in assets and liabilities			
Accounts receivable	- 919,673	- 1,480,793	-
Other current assets and prepaid expenses	- 2,157,707	- 2,777,276	- 7,003
Accounts payable, other liabilities and deferred revenues	1,372,968	588,872	51,305
Income taxes payable	224,671	304,302	-
Other accrued expenses	- 270,850	510,591	150,000
Net cash provided by/used in operating activities	**1,885,436**	**- 3,170,562**	**- 315**
Cash flows from investing activities			
Proceeds from sale of property and equipment	-	-	-
Purchase of intangible assets, property and equipment	- 2,504,764	- 10,994	-
Purchase of investments	- 408,826	- 19,558	-
Acquisition of subsidiaries	- 2,671,311	-	
Allocation of capital to susidiaries	- 354,737	- 32,094	
Purchase of short term investments	- 62,630,191	- 166,530,336	-
Proceeds from sale of short term investments	74,297,050	107,748,471	-
Net cash provided by/used in investing activities	**5,727,222**	**- 58,844,511**	**-**
Cash flows from financing activities			
Raising/repayment of short-term bank liabilities	- 2,135	2,135	-
Payment of receivable from shareholders	-	48,896	-
Distribution of earnings	-	-	-
Proceeds from sale of stock	-	58,088,151	3,951,104
Net cash provided by financing activities	**- 2,135**	**58,139,182**	**3,951,104**
Net change in cash and cash equivalents	**7,610,523**	**- 3,875,891**	**3,950,789**
Cash and cash equivalents, beginning of period	74,898	3,950,789	-
Cash and cash equivalents, end of period	**7,685,421**	**74,898**	**3,950,789**

F. Auditors` Opinion

We have audited the financial statements including the accounting and the management report of SinnerSchrader Aktiengesellschaft for the financial year from 1 September 2000 to 31 August 2001. The legal representatives of the Company are responsible for the accounting and preparation of the financial statements and management report in compliance with German commercial law and the supplementary regulations in the articles of association. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting, and on the management report.

We conducted our audit of the financial statements pursuant to sec. 317 HGB and in compliance with the generally accepted auditing principles set down by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognised which significantly affect the presentation of the assets, liabilities, financial position and results of the Company as conveyed by the financial statements, in compliance with generally accepted accounting principles, and by the management report. The scope of the audit was planned taking into account our understanding of business operations, the Company´s economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal controls has been assessed, and the disclosures made in the accounting, financial statements and management report have been verified, mainly on the basis of spot checks. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

In our opinion, the financial statements are in compliance with generally accepted accounting principles and present a true and fair view of the assets, liabilities, financial position and results of the Company. In all material respects, the management report accurately presents the situation of the Company and the risks arising from future developments.

Hamburg, 06 November 2001

ARTHUR ANDERSEN
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Nendza	Schneider
Wirtschaftsprufer	Wirtschaftsprüfer

Financial statements according to HGB of Netmatic Internet/Intranet Solutions GmbH

A. Balance sheets
as of 31 December 2000 and 31 December 1999

	2000	1999
ASSETS	DM	DM
Fixed assets		
Intangible assets		
Software	2,221.00	4,899.00
Tangible assets		
Other equipment, plant and office equipment	282,481.00	73,492.00
Financial assets		
Shares in affiliated companies	9,502.62	9,502.62
Investments	0.00	10,000.00
	9,502.62	19,502.62
	294,204.62	97,893.62
Current assets		
Inventories		
Work in process	53,700.00	0.00
Receivables and other assets		
Accounts receivable	2,734,046.83	321,437.77
Receivables from affiliated companies	162,959.53	41,273.29
Other assets	22,867.25	27,396.17
	2,919,873.61	390,107.23
Securities		
Other securities	528,443.28	0.00
Cash on hand and at banks	281,440.08	395,293.87
	3,783,456.97	785,401.10
Prepaid expense	3.077,03	1,584.87
	4,080,738.62	884,879.59
LIABILITIES AND SHAREHOLDERS EQUITY		
Shareholders` equity		
Subscribed capital	54,000.00	54,000.00
Profit brought forward	69,203.41	1.21
Net income	1,504,582.68	84,202.20
	1,627,786.09	138,203.41
Special reserve item	300,000.00	290,000.00
Accruals		
Accrued tax liabilities	1,098,564.07	69,551.00
Other accrued liabilities	333,120.00	52,500.00
	1,431,684,07	122,051.00
Liabilities		
Down payments on orders received	63,300.00	0.00
Trade payables	200,389.48	79,824.36
Other liabilities	457,578.98	254,800.82
- thereof taxes: DM 328,032.06 (previous year: DM 192,269.94)		
- thereof relating to social security and similar obligations: DM 115,766.60 (previous year: DM 43,314.17)		
	721,268.46	334,625.18
	4,080,738.62	884,879.59

The accompanying notes are an integral part of these financial statements

B. Statements of operations
for the fiscal years 2000 and 1999

	2000 DM	1999 DM
Revenues	8,630,216.87	3,039,297.30
Increase/decrease of the stock of work in process	53,700.00	0.00
Other operating income	351,024.54	21,280.92
Cost of purchased materials		
Expenditure for raw materials and supplies and for goods purchased	-29,035.54	-499,911.53
Cost of purchased services	-288,995.90	-12,226.78
Personnel expense		
Wages and salaries	-3,342,581.70	-1,289,080.90
Social security	-630,174.72	-229,982.52
Depreciation of intangible assets, property and equipment	-362,751.98	-58,454.96
Other operating expense	-1,675,197.53	-787,278.13
Other interest and similar income	7,707.70	400.00
Interest and similar expense	-235.53	-7,405.64
Income from ordinary activities	**2,713,676.21**	**176,637.76**
Taxes on income	-1,208,381.53	-92,417.34
Other taxes	-712,00	-18.22
Net income	**1,504,582.68**	**84,202.20**

The accompanying notes are an integral part of these financial statements

C. Explanatory Notes

1. Legal fundamentals

The Company is a small corporation as defined by § 267 of the German Commercial Code (HGB). The annual financial statements were drawn up in compliance with the regulations of the Commercial Code (HGB) and the law on limited-liability companies (GmbHG).

2. Accounting and valuation principles

The financial statements are drawn up in DM.

Tangible assets are stated at purchase or manufacturing cost, less scheduled depreciation as well as special depreciation permitted under tax law for small and medium-sized firms. Depreciation is mainly applied using the reducing-balance method, but the straight-line method is used if as a result higher annual depreciation can be achieved. For additions to movable assets procured in the first half of the year the full annual depreciation is applied. For additions procured in the second half of the year half the annual depreciation is applied.

Low-value assets with individual purchase costs up to DM 800 are written down in full in the year of addition.

Financial assets were stated at purchase cost or the lower value applicable on the accounting date.

Receivables and miscellaneous assets are stated at their nominal value less individual or global value adjustments.

Other accruals cover all recognisable risks. They are valued to the amount which appears necessary according to reasonable commercial judgment.

Liabilities are stated at the repayment amount.

3. Explanatory notes on items in the balance sheet and income statement

a. Fixed assets

The changes in fixed assets are presented on page 118

Changes in fixed assets in business year 2000

	PURCHASE AND MANUFACTURING COSTS				ACCUMULATED DEPRECIATION				NET BOOK VALUES	
	1.1.00	Additions	Retirements	31.12.00	1.1.00	Allocations	Releases	31.12.00	31.12.00	31.12.99
	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
Intangible assets:										
Software	10,839.80	1,053.11	-	11,892.91	5,940.80	3,731.11	-	9,671.91	2,221.00	4,899.00
	10,839.80	1,053.11	-	11,892.91	5,940.80	3,731.11	-	9,671.91	2,221.00	4,899.00
Tangible assets:										
Other equipment, factory and office equipment	146,980.77	568,009.89	126,159.82	588,830.84	73,488.77	359,020.89	126,159.82	306,349.84	282,481.00	73,492.00
	146,980.77	568,009.89	126,159.82	588,830.84	73,488.77	359,020.89	126,159.82	306,349.84	282,481.00	73,492.00
Financial assets:										
Shares in affiliated companies	9,502.62	-	-	9,502.62	-	-	-		9,502.62	9,502.62
Investments	10,000.00	-	10,000.00	-	-	-	-	-	-	10,000.00
	19,502.62	-	10,000.00	9,502.62	-	-	-	-	9,502.62	19,502.62
	177,323.19	569,063.00	136,159.82	610,226.37	79,429.57	362,752.00	126,159.82	316,021.75	294,204.62	97,893.62

The Company is the parent company of NetMatic Inc., Denver, USA. The equity position of the subsidiary company is as follows:

	Share in %	Nominal capital DM 000	Equity at 31 Dec 2000 DM 000	Annual result for 2000 DM 000
NetMatic Inc.	100	10	–94	–82

b. Receivables and other assets

All receivables and other assets are due within one year.

Individual value adjustments of DM 133,816.25 were formed. The global value adjustment of DM 48,630 represents 2% of the net receivables balance not individually value-adjusted.

c. Securities

The securities consist of shares in money market funds and similar funds which were capitalised at purchase cost.

d. Special items with an equity portion

The special items with an equity portion result from the take-up of accumulated depreciation under § 7g para. 3 of the Income Tax Law (EstG).

e. Other accruals

The other accruals were mainly formed for annual financial statement costs, holiday entitlements and outstanding invoices.

f. Liabilities

All liabilities have a residual term of up to one year.

g. Other operating income

Other operating income mainly results from grants of employment aid by the Hamburg employment exchange.

4. Miscellaneous

a. Other financial obligations

Obligations under rent and lease contracts

	DM
2001	436,470.89
2002	402,097.01
2003	310,022.44
2004	289,268.53
2005	213,270.13

b. Employees

The Company employed 50 people on 31.12.2000. On average the workforce numbered 45.

c. Management

In the year under review Mr Alexander Spohr was Managing Director with sole authorisation to represent the Company.

d. Proposal for the disposition of profit

The unappropriated profit amounts to DM 1,573,786.09. We propose to the Shareholders' Meeting that this be distributed in full.

Hamburg, 11 March 2001

NetMatic Internet/Intranet Solutions GmbH

Alexander Spohr
Managing Director

D. Auditors` Opinion

We audited the annual financial statements including the accounting of NetMatic Internet/Intranet Solutions GmbH for the business year from 1 January 2000 to 31 December 2000. The accounting and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the legal representative of the Company. Our task is to give an assessment of the annual financial statements including the accounting on the basis of the audit conducted by us.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) in observance of the German principles for due and proper auditing of financial statements issued by the Institute of Auditors (IDW) in Germany. In accordance with these the audit has to be planned and conducted in such a way that inaccuracies and irregularities which have a major effect on the presentation of the view imparted of the assets and liabilities, financial position and results by the annual financial statements in observance of the principles of due and proper accounting can be recognised with adequate certainty. In establishing the audit actions the knowledge of the business activity and of the economic and legal environment of the Company as well as the expectations of possible errors are taken into account. Under the audit the effectiveness of the accounting-related internal control systems as well as evidence for the information in the accounting and annual financial statements are assessed largely on the basis of random tests. The audit encompasses an assessment of the accounting principles applied and of the appraisal by the legal representatives as well as an assessment of the general presentation of the annual financial statements. We hold the view that our audit forms an adequately reliable basis for our assessment.

Our audit gave us no grounds to raise criticisms or objections.

It is our conviction that in observance of the principles of due and proper accounting the annual financial statements provide a true and fair view of the assets and liabilities, financial position and results of the Company.

Hamburg, 30 March 2001

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Nendza	Schneider
Auditor	Auditor

Pro forma consolidated financial statements of SinnerSchrader Aktiengesellschaft

A. Pro forma statements of operations for the fiscal year 2000/2001

	Group audited 2000/2001 DM	Netmatic 1.9.-31.12.2000 DM	Pro forma Adjustments 1.9.-31.12.2000 DM	Group Pro forma 2000/2001 DM
Revenues:				
Project Services	28,414,560	4,055,005	- 279,466	32,190,099
Media Services	5,825,857	-	-	5,825,857
Other	837,610	-	-	837,610
Total revenues, gross	**35,078,027**	**4,055,005**	**- 279,466**	**38,853,566**
Media costs	- 4,449,150	-	-	- 4,449,150
Total revenues, net	30,628,877	4,055,005	- 279,466	34,404,416
Cost of revenues	- 21,451,842	- 2,385,922	279,466	- 23,558,298
Gross profit	**9,177,035**	**1,669,083**	**-**	**10,846,118**
Sales, general and administrative expense	- 9,916,586	- 458,663	-	- 10,375,249
Research and development	- 606,016	-	-	- 606,016
Amortisation of intangible assets	- 550,667	-	- 275,333	- 826,000
Amortisation of goodwill	- 4,129,499	-	- 2,064,750	- 6,194,249
Stock based compensation	- 647,907	-	- 323,953	- 971,860
Operating income/loss	**- 6,673,640**	**1,210,420**	**- 2,664,036**	**- 8,127,256**
Other income/other expense, net	110,472	38,047	- 0	148,519
Interest income and expense	2,596,845	1,870	5,246	2,603,961
Depreciation of financial assets	- 544,021	-	-	- 544,021
Operating income/loss	**- 4,510,344**	**1,250,337**	**- 2,658,791**	**- 5,918,797**
Provision for income taxes	- 286,071	- 598,959	- 2,119	- 887,149
Net income/loss	**- 4,796,415**	**651,378**	**- 2,660,910**	**- 6,805,946**
Net income/loss per share (basic)	- 0.45			- 0.59
Net income/loss per share (diluted)	- 0.45			- 0.59
Weighted average shares outstanding (basic)	10,735,308		807,456	11,542,764
Weighted average shares outstanding (diluted)	10,735,308		807,456	11,542,764

B. Pro forma statements of cash flows for the fiscal year 2000/2001

	Group audited 2000/2001 DM	Netmatic 1.9.-31.12.2000 DM	Pro forma Adjustments 1.9.-31.12.2000 DM	Group Pro forma 2000/2001 DM
Cash flows from operating activities:				
Net income/loss	- 4,796,415	651,377	- 2,660,908	- 6,805,946
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation of property and equipment	814,986	87,310	-	902,296
Amortisation of intangible assets and goodwill	4,680,166	-	2,340,083	7,020,249
Stock-based compensation	647,907	-	323,953	971,860
Write-down on investments	544,021	-	-	544,021
Bad debt expense	2,233,689	159,102	-	2,392,791
Non-cash expense/-revenue	-	- 8,794	-	- 8,794
Loss on disposal of property and equipment	48,132	-	-	48,132
Gain/loss on disposal of market securities (av.-for-sale)	- 571,154	-	- 5,246	- 576,400
Deferred tax provision	- 145,078	127,247	2,118	- 15,713
Changes in assets and liabilities			-	
Accounts receivable	376,012	- 1,231,502	-	- 855,490
Unbilled revenues	767,071	- 31,650	-	735,421
Other current assets and prepaid expenses	- 1,120,090	1,115	-	- 1,118,975
Accounts payable, other liabilities and deferred expenses	51,987	248,626	-	300,613
Income taxes payable	- 2,673,024	351,489	-	- 2,321,535
Other accrued expenses	333,026	176,495	-	509,521
Net cash provided by/used in operating activities	**1,191,236**	**530,815**	**-**	**1,722,051**
Cash flows from investing activities:				
Proceeds from sale of property and equipment	47,645	-	-	47,645
Purchase of property and equipment	- 2,935,391	- 155,940	-	- 3,091,331
Purchase of investments	- 408,826	10,000	-	- 398,826
Cash paid for acquisitions, net of cash acquired	- 2,878,193	-	- 904	- 2,879,097
Purchase of short term investments	- 65,379,611	- 518,111	-	- 65,897,722
Proceeds from sale of short term investments	77,574,611	123,683	-	77,698,294
Net cash provided by/used in investing activities	**6,020,235**	**- 540,368**	**- 904**	**5,478,963**
Cash flows from financing activities:				
Payment of receivable from shareholders	-	-	-	-
Distribution of earnings	-	-	-	-
Proceeds from sale of stock	-	-	-	-
Net cash provided by financing activities	**-**	**-**	**-**	**-**
Effect of change in exchange rates on cash	37,751	10,457	-	48,208
Net change in cash and cash equivalents	**7,249,222**	**904**	**- 904**	**7,249,222**
Cash and cash equivalents, beginning of period	567,158	292,214	- 292,214	567,158
Cash and cash equivalent, end of period	**7,816,380**	**293,118**	**- 293,118**	**7,816,380**
Supplemental disclosures of non-cash financing activities				
Common stock issued for acquisition of Netmatic	24,902,808	-	-	24,902,808

C. Explanatory notes to the pro forma accounts

1. General

By contribution agreement of 18 September 2000, SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG" or "AG") acquired Netmatic Internet/Intranet Solutions GmbH, Hamburg ("Netmatic"). The implementation of the contribution agreement depended on the approval of the Shareholders' Meeting of SinnerSchrader AG. At the Shareholders' Meeting of the AG on 12 December 2000 approval was given for the contribution agreement with the required majority. The subsequent implementation of the agreement led in January 2001 to the transfer of 100% of the shares in Netmatic from the sellers to SinnerSchrader AG.

In line with the US-American accounting rules ("US-GAAP"), which are applied to the consolidated accounting of the AG, Netmatic could then together with its wholly-owned subsidiary company Netmatic Inc., Denver, be included in the consolidated accounts of the AG as from 1 January 2001. As the business year of the AG deviates from the calendar year and runs in each case from 1 September to 31 August of the following year, Netmatic was included in the audited consolidated financial statements of the AG for the business year 2000/2001 from 1 September 2000 to 31 August 2001, only for eight months.

The pro forma accounts for the business year 2000/2001 assume the initial consolidation of Netmatic at 1 September 2000. Accordingly, Netmatic was included in the pro forma presentations for the income statement and the funds flow statement with a twelve-month period. The pro forma presentations were developed from the audited consolidated financial statements of the AG for the business year 2000/2001. As Netmatic was already included in the audited consolidated financial statements for the period 1 January to 31 August 2001, for the pro forma presentations in each case only the figures for Netmatic for the period 1 September to 31 December 2000 need to be added. The pro forma adjustments necessary in connection with the combination of the figures from the audited consolidated financial statements and from Netmatic for the partial business year period from 1 September to 31 December 2000 are explained in the following. By analogy to the audited consolidated financial statements the pro forma accounts are also based on US-GAAP.

The pro forma consolidated accounts of SinnerSchrader AG for the business year 2000/2001 do not necessarily reflect the assets and liabilities, financial position and results which would have resulted if the consolidation of Netmatic had actually been possible at 1 September 2000. It is therefore possible to draw only limited conclusions from the pro forma accounts for the future business development of the SinnerSchrader Group. The pro forma accounts should only be read in connection with the audited, historic annual financial statements and consolidated accounts of SinnerSchrader AG as well as the audited annual financial statements of Netmatic, which are also printed in this prospectus.

2. Explanation of the transaction

In connection with the explanatory information on the acquisition of Netmatic reference is made to the following passages of this prospectus and of the annual financial statements and consolidated accounts printed in it:

(a) Section : Acquisition of Netmatic Internet/Intranet Solutions GmbH , pages 12–17

(b) Section : E. Explanatory notes to the consolidated accounts of SinnerSchrader AG for the business years 2000/2001, 1999/2000 and the partial business year 1999, pages 78–101 (in particular explanatory note 5, Acquisitions, pages 91–93)

(c) Section: C. Explanatory notes to the annual financial statements of SinnerSchrader AG for the business year 2000/2001, pages 105-111

(d) Section: I. Combined management report and group management report of SinnerSchrader Aktiengesellschaft for the business year 2000/2001, pages 62-73.

Concerning the differences between US-GAAP and the rules of the HGB for the accounting of business combinations reference is made to the corresponding statements in Section .g. Business combinations, page 100.

3. Explanatory notes to the pro forma adjustments in the income statement

a. Pro forma adjustments to project services

After conclusion of the contribution agreement, an operating subsidiary company of the AG and Netmatic immediately began to work on joint projects. In the various projects Netmatic performed services at the request of the operating subsidiary of the AG and the subsidiary company performed services at the request of Netmatic. The services performed were billed between the companies at normal prices and billed to the end customers by the Company leading the project. The pro forma adjustment represents the amount of the necessary consolidation accounting entry.

b. Pro forma adjustments to costs of sales revenue

From the business transactions described under a. a corresponding consolidation accounting entry with the opposite arithmetical sign results.

c. Pro forma adjustments to depreciation of intangible assets, depreciation of goodwill and amortisation of the adjustment item for employee remuneration

The depreciation of intangible assets and of goodwill, and amortisation of the adjustment item for employee remuneration results from the takeover of Netmatic and the distribution of the difference from the purchase price paid and the net assets of Netmatic at the time of initial consolidation on 1 January 2001. Under US-GAAP this difference is to be distributed to identifiable assets not included in the balance sheet such as core clientele and core personnel as well as goodwill as a residual item. The resulting balance sheet values have to be depreciated in the consolidated balance sheet applying the straight-line method over the expected economic life. SinnerSchrader AG applied periods of three to five years as their economic life.

As the contribution agreement provides that part of the shares issued as purchase price to the sellers must be passed on to employees of Netmatic under an employee shareholding scheme, the portion corresponding to these shares has to be stated as an adjustment item for employee remuneration in equity capital and released with effect on results over the three-year term of the employee shareholding scheme in line with the respective tranches.

In the audited consolidated financial statements the respective depreciation is effective with a portion of eight twelfths of an annual depreciation. In line with the rules for the preparation of pro forma financial statements it is to be assumed for the pro forma initial consolidation that the difference between the purchase price and the net assets will be unchanged. The full annual depreciation therefore has to be applied in the pro forma consolidated financial statements. The respective differences are stated as pro forma adjustments.

d. Pro forma adjustments to interest income/expense

At the date of initial consolidation of 1 January 2001, Netmatic owned securities classified as current assets which in accordance with US-GAAP were stated at market value in connection with the formation of an adjustment item in equity capital for unrealised profits on securities held for sale. From the perspective of the consolidated financial statements the unrealised profits were realised in connection with the initial consolidation.

As these securities did not exist at the pro-forma consolidation date of 1 September 2000, the realisation of the corresponding profits from the sale of securities does not fall on the consolidation date but in the period of the income statement.

e. Pro forma adjustments to expense from income taxes

The stated adjustment reflects the income tax effect deriving from the adjustment item described under d. From the adjustments described under c. to the depreciation and amortisation amounts no adjustment results for the expense from income taxes as the corresponding expense does not represent tax-effective expense.

f. Pro forma adjustment to the number of shares in circulation

Whereas in the audited financial statements the shares of the first purchase price instalment were included in the calculation of the average number of shares in circulation at the date of initial consolidation 1 January 2001 and the shares of the second purchase price instalment at the date of the fixing of the number of shares 1 April 2001, the pro forma accounts assume that all shares were issued at the pro-forma consolidation date of 1 September 2000.

4. Explanatory notes to the pro forma adjustments in the funds flow statement

a. Pro forma adjustments to the items of cash flow from operating activity

The individual adjustment items have already been explained under III c.–e.

b. Pro forma adjustment to the payment for company acquisitions less cash balances taken over

As the balance of Netmatic's liquid assets was DM 904 lower at 1 September 2000 than at 1 January 2001, the portion expended in cash of the purchase price at the pro forma consolidation date of 1 September 2000 would have been compensated by a lower cash balance taken over.

CERTIFICATION AFTER AUDIT INSPECTION

To SinnerSchrader Aktiengesellschaft

We have conducted an inspection audit on the adjustments made to the original figures for the preparation of the pro forma consolidated accounts consisting of a pro forma consolidated income statement, pro forma funds flow statement for the business year from 1 September 2000 to 31 August 2001 of SinnerSchrader Aktiengesellschaft along with selected pro forma explanatory notes, and on the necessary consolidation measures. In accordance with the rules described in the explanatory notes to the pro forma consolidated accounts, the pro forma consolidated accounts were developed from the financial statements of the companies included in the consolidated group.

The purpose of the pro forma consolidated accounts is to present the earnings situation as well as the payment flows as if the Group had already existed in its present form at 1 September 2000. As pro forma consolidated accounts describe a hypothetical situation, they do not conclusively present the view of the earnings situation and payment flows of the Group which would have resulted if the company acquisition concerned had actually been completed at the point in time mentioned. The company acquisition reflected in the pro forma consolidated accounts and the assumptions connected therewith are presented in the explanatory notes to the pro forma consolidated accounts.

The preparation of the pro forma consolidated accounts is the responsibility of the legal representatives of the Company. Our task is to give an assessment with a certain degree of reliability on whether

- the original values have been taken over correctly into the pro forma consolidated accounts,
- the pro forma consolidated accounts were derived using proper assumptions and appropriately reflect the effects to be taken into account, and
- the adjustments have been appropriately reflected in the figures in the pro forma consolidated accounts.

Our audit inspection was conducted in accordance with the German principles established by the Institute of Auditors (IDW) for the audit inspection of financial statements. In accordance with these the audit inspection is to be planned and conducted in such a way that by way of a critical appraisal we can exclude with a certain degree of reliability that causes exist for significant errors in the adjustments made for the preparation of the pro forma consolidated accounts and the necessary consolidation measures. An audit inspection is primarily restricted to putting questions to the Company’s staff and to analytical assessments and therefore does not offer the reliability achievable by a financial statements audit for an audit assessment with a positive statement.

On the basis of our audit inspection we found no circumstances which would prompt us to assume that

- the original figures have not been taken over correctly into the pro forma consolidated accounts,
- the pro forma consolidated accounts have not been derived using proper assumptions,
- the adjustments have not been properly reflected in the figures of the pro forma consolidated accounts.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Nendza
Auditor

Jöns
Auditor

Hamburg, 21 December 2001

Course of business and outlook

In the business year 2000/2001 SinnerSchrader Aktiengesellschaft succeeded in further strengthening its competitive position in Germany in an extremely difficult environment. The Company will continue in future to focus in particular on Internet-related e-business services in Germany. The prospects for growth in the sector are positive for the medium to long term: The trend is moving more and more strongly towards technically demanding projects in which the core capabilities of SinnerSchrader are in demand. The sector generally continues to suffer from reductions in budgets and deferrals of projects on the customer side, but at the same time the competitive pressure for SinnerSchrader has been reduced by the departure of a number of competitors from the market. Additionally, with more than 29 million euros the Company possesses adequate liquid assets with which internal and external growth can be pursued.

SinnerSchrader aims to continue to expand sales in the business year 2001/2002 and to further improve profitability in the operating sector. In order to continue to grow, SinnerSchrader, as already mentioned, intends to continue to focus in particular on Germany, to expand the customer-oriented organisation and to activate distribution. With the aim of improving profitability, it is intended to once again increase capacity utilisation distinctly. The foreign activities are to be further cut back. The continuation of business at the international locations of Rotterdam and Denver is under review. By vigorously continuing the measures for the management of receivables we expect that the need for value adjustments will reduce in future.

Hamburg, 21 December 2001

SinnerSchrader Aktiengesellschaft

The Management Board

On the basis of the above prospectus/business report (Unternehmensbericht)

the

1,567,764 no-par-value bearer shares
with an arithmetical share in the stock capital of €1 per ordinary share

divided into

437,246 no-par value shares from the capital increase by contribution in kind entered in the Commercial Register on 10 January 2001 to the exclusion of the statutory subscription right

Security code number 515 591 (280,972 no-par value shares)
Security code number 515 592 (78,137 no-par value shares)
Security code number 515 593 (78,137 no-par value shares)

and

1,130,518 no-par value shares from the capital increase by contribution in kind entered in the Commercial Register on 19 November 2001 to the exclusion of the statutory subscription right

Security code number 515 591 (401,334 no-par value shares)
Security code number 723 956 (327,850 no-par value shares)
Security code number 515 592 (200,669 no-par value shares)
Security code number 515 593 (200,665 no-par value shares)

in each case with full dividend entitlement for the business year 2001/2002, i.e. as from 1 September 2001

of SinnerSchrader Aktiegesellschaft, Hamburg,

were admitted to the Regulated Market (Geregelter Markt) with inclusion in trading on the Neuer Markt

at the Frankfurt Stock Exchange.

Hamburg, December 2001

Joh. Berenberg, Gossler & Co.