SINNERSCHRADER GROUP

Annual Report 2015/2016

Product People

SINNERSCHRADER GROUP

Annual Report 2015/2016

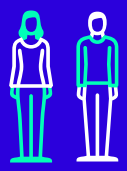
Key Figures
SinnerSchrader Group

		2015/2016	2014/2015	CHANGE
Net revenues	€ 000s	51,131	47,690	+7 %
EBITA	€ 000s	4,735	2,083	+127 %
Relation of the EBITA to net revenues (operating margin)	%	9.3	4.4	+111 %
Net income attributable to the shareholders of SinnerSchrader AG	€ 000s	3,373	1,518	+122 %
Net income per share, fully diluted	€	0.29	0.13	+120 %
Cash flows from operating activities	€ 000s	3,500	1,679	+108 %
Employees, full-time equivalents	number	446	478	–7 %

		31.08.2016	31.08.2015	CHANGE
Liquid funds and securities	€ 000s	6,099	5,559	+10 %
Shareholders' equity	€ 000s	15,870	14,959	+6 %
Shareholders' equity rate	%	60	54	+11 %
Employees, end of period	number	505	506	–0 %

EBITA

+127 %



TOTAL EMPLOYEES

505

SITES

06

NET REVENUES IN € 000S

51,131

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1) Combined Status Report and Consolidated Status Report of SinnerSchrader AG

Matthias Schrader
Chief Executive Officer

Thomas Dyckhoff
Chief Financial Officer

Dear Shareholders,

In the past financial year 2015/2016, SinnerSchrader turned 20 years old, on 4 May 2016. Fittingly, the company ended the financial year with record figures, which we are delighted to present to you in this Annual Report: revenue of € 51.1 million, EBIT(A) of € 4.7 million and net income of € 3.4 million.

A year ago, after a difficult 2014/2015 financial year and the decision to withdraw from NEXT AUDIENCE, we expressed that we felt SinnerSchrader had been strengthened in spite of the difficulties. That may have been hard to understand back then.

However, the 2015/2016 financial year was a pleasantly clear confirmation of this assessment.

- Discontinuing NEXT AUDIENCE eliminated expenditure for development, marketing and sales of NEXT AUDIENCE software, which was considerably higher than the revenue it generated. This was a key factor in more than doubling the result in the year of the report.
- Due to the withdrawal from NEXT AUDIENCE, SinnerSchrader focused more on the growing demands of digital transformation at large German companies and consolidated its position as a partner capable of overcoming the content and technical challenges of this transformation. In the course of the year under review, SinnerSchrader further intensified cooperation between its various fields of competence and locations for this purpose which have operated under one umbrella brand since then.
- As a result, SinnerSchrader earned € 2.4 million more revenue in its core business with existing clients and attracted new clients in the year under review, with whom revenue of € 3.3 million has already been achieved. As had been forecast, SinnerSchrader's core business thus returned to a growth rate clearly in the double digit at 12.6 %.
- In content business alone, revenue rose by more than 27 %. The newest SinnerSchrader business unit developed most dynamically within the Group. It has established itself on the market and ensures that SinnerSchrader remains an attractive address for media contracts to achieve a wide and consistent reach, even after the NEXT AUDIENCE withdrawal.
- SinnerSchrader Commerce, specialist in e-commerce among the Group's business units, and the experts in mobile applications, SinnerSchrader Swipe, also expanded their positions in the 2015/2016 financial year. Due to the rapidly growing importance of mobile devices, SinnerSchrader Swipe in particular has increasingly been incorporated into the transformation of the Group's corporate clients in the course of the year.
- In spite of strong business momentum, the improvements in efficiency achieved in the previous year were not forgotten. In its core business, SinnerSchrader confirmed the operating margin of 10 % with a slight improvement.

In SinnerSchrader's view, digital transformation at major German companies is just beginning. But the seriousness in consistently addressing challenges and spending the necessary funds can be seen at every company. This will further advance the development of the SinnerSchrader Group in the years ahead.

However, it cannot be ignored that, due to the growing importance of digital issues for the companies and the volume of the budgets assigned to them, the number of service providers is developing at least as dynamically as the business itself. Last year we pointed out that SinnerSchrader is competing more and more with well-known strategy and IT consultancies. The acquisition of the German digital agencies aperto and ecx.io by IBM at the beginning of 2016 underlines the change in the competitive environment as do the acquisitions in the European region announced by Accenture in 2016, including the e-commerce strategy consultancy dgroup in Germany.

Refining its own core expertise will therefore be extremely important for the future path of SinnerSchrader. To that aim, SinnerSchrader is focusing on the development of new digital products and services for and together with its clients. SinnerSchrader is convinced that only new products and services will successfully bring about the transformation of companies. Merely digitising an organisation and its processes will not be sufficient.

The biggest success of the 2015/2016 financial year shows that SinnerSchrader is convincing with this position: in July 2016, Audi chose SinnerSchrader to be its main global digital agency from among an international field of competitors.

This success, just like the development of SinnerSchrader as a whole, is the success of its employees. If the employees did not involve their personalities, ideas and expertise in their projects, or do this in intensive and unconditional cooperation across disciplines and hierarchies, SinnerSchrader would not be what defines it on the market and makes it successful. Giving you an insight on the following pages into who these employees are, what motivates them and what constitutes the SinnerSchrader spirit is therefore especially important to us this year. It is also a thank you to the whole SinnerSchrader team.

This team, our position on the market, the positive mood of the German economy and our clients make us optimistic for the current financial year. We have set ourselves the goal for 2016/2017 of revenue of € 56 million, an operating result of between € 5.8 million and € 5.9 million and a net income of € 4 million. And we have decided to propose increasing our dividend to you to € 0.20 per share.

Hamburg, 21. November 2016

Matthias Schrader Thomas Dyckhoff

Chris Rowe

The interface to the world.

Global values make up the DNA of SinnerSchrader. The agency works and thinks internationally and employs people from all over the world. Chris Rowe from England has managed the Frankfurt am Main site for over four years. He explains what makes SinnerSchrader special.

I'm originally from Newcastle in the north of England. When I was a year old we moved to Malawi, Africa. My father worked there as a doctor for a few years so I grew up with different cultures. Later on, I studied computer science in England and then joined a start up. I was the 50th employee. When I left, there were several thousand employees. But I needed a break, so I spent a year travelling through Central America. I worked as an English teacher for three months in a small village in Costa Rica. That's where I met my future wife, an American.

→

"If you love innovation and want to learn new things, this is the place for you."

After my trip, I moved to Frankfurt to implement a project with Deutsche Bank for my former employer. Two years later, I joined a subsidiary of Deutsche Bank. It was a great time, but I realised that I wanted to work in a different way. I wanted to develop products that people wanted to use – not just have to use. I wanted to work for a company that thinks about its end users and not just about the back end.

That's exactly what SinnerSchrader offers. The wide range of clients and projects excited me right from the start, and it still does. In my position, I'm involved in every project. We develop products and websites that people actually want to use. And it's especially enjoyable when a lot of people want to use these products. I used to develop products for a handful of users, but now we work on services for thousands of users. Compared to other large corporations, we have more freedom in our work. There's great flexibility, and we can do a lot independently. The agency is big, but the decision-making paths are short.

When I joined SinnerSchrader four and a half years ago, we had around 25 employees in Frankfurt. Now there are more than 50 people here – and that's not even counting the freelancers at peak times. In all this time, there hasn't been a single boring day. And thanks to the very diverse employees from all over the world, you can keep developing personally, too. If you love innovation and want to learn new things, this is the place for you.

I'm always learning something new, it's part of my job. When I started with SinnerSchrader, I had two teams. Now five team leaders report to me. This works well because half of the employees are developers, like me. It's important to them that their team leader is technically competent. So I always keep up with current technologies, I develop prototypes and attend workshops on software architecture. But above all, I talk with my colleagues and develop new ideas with them.

We believe that a company can function well only if its teams are successful. They are the core of our work – at SinnerSchrader, even the site managers and management are service divisions that support the teams. Our way of working is different from that of many other agencies as well. There's no distinction between designers and developers on our projects. Everyone involved in a product works closely together, even spatially. It's not always easy to explain this way of working to clients because many companies that outsource work are still thinking in old structures. But we've worked with most of our clients for many years. They know that our way of working is in their best interest and leads to good results.

To convey our philosophy, we asked ourselves where our focus lies and how we view ourselves. The answer can be summed up in seven sentences:

I want us to embody these sentences every day – because this is how we want to live and work. These are values that I want to teach my children as well. Next year I'm travelling to Costa Rica with my family to visit the place where this story started ten years ago.

CHRIS ROWE
Executive Director,
SinnerSchrader,
Frankfurt am Main

Milestones
Computer science studies, then from start-up to big company to the agency

7 SinnerSchrader pulses. This is how we work.

7 SinnerSchrader pulses. This is how we work.

1 We fight passionately for the best overall result.

2 We act in the interests of the whole.

3 We trust.

4 We feel empathy.

5 We look for opportunities.

6 We make employees successful.

7 We go for it.

Free and radical.

How do you work when you value fixed structures but need freedom? You have to think like an entrepreneur, be able to advise your colleagues and be willing to pitch in yourself, be technologically up to date, and familiarise yourself with new projects quickly. SinnerSchrader has its own team for this: the Free Radicals. Felicitas Kugland is one of four members bringing a breath of fresh air to working processes.

It smells wonderful. Again. Felicitas Kugland – Feli – has brought in a cake. Garnished with candied nuts and a few dashes of caramel sauce, it looks like a work of art from a pastry shop – simply perfect. "No, it really didn't turn out perfect. I was missing an ingredient so I had to experiment." It's unlikely that anyone noticed.

It wasn't a love for baking that she learned from her family, but rather the joy of working with computers. "My mother was involved with computers early on and that left an impression on me." It was logical that Feli would go on to train as an IT assistant with a focus on Internet programming. Less logical was her subsequent self-employment at the age of just 21. Simply taking the plunge, even in a small town, and offering everything from programming to website implementation – that was the plan. Feli knew early on what it meant to work independently and autonomously.

A free spirit with a perfectionist streak – it's not a contradiction, especially not in Feli's field of work. It's actually the job description of the Free Radicals. In biology, free radicals are viewed as disrupters; they cause structural changes in the body but ultimately make the immune system stronger. They continuously put the system to the test. In Feli's job, this principle means questioning technological decisions, workflows and structures – and often coming up with new solutions.

The team consists of four developers. The Free Radicals decide for themselves which projects they'll work on. They're sparring partners for all of the teams at SinnerSchrader, and they're always on the lookout for new technologies. "But we don't just advise, we pitch in as well," Feli says. The Free Radicals help with projects that involve a lot of evaluation, and sometimes they tidy up legacy codes.

But Feli is never satisfied with her projects or her work. The perfectionist thinks this is a good thing: "I can always develop further." Maybe this is typical of good developers. They look at code they wrote three months ago and think: What was I doing? "Developers are divas, and I'm the biggest diva of all," Feli laughs.

Feli likes this way of working. "I'm not the type to stay with projects for a long time. I need change." The title of "Technical Director" isn't the most important thing to her, it's the exciting field and innovative way of working. And SinnerSchrader creates the perfect conditions for this. "A lot of good people work here, and I can learn from them." Despite the agency's size, a familial atmosphere is established quickly. It certainly helps that Feli likes to bring in cakes – even if she never thinks they're perfect.

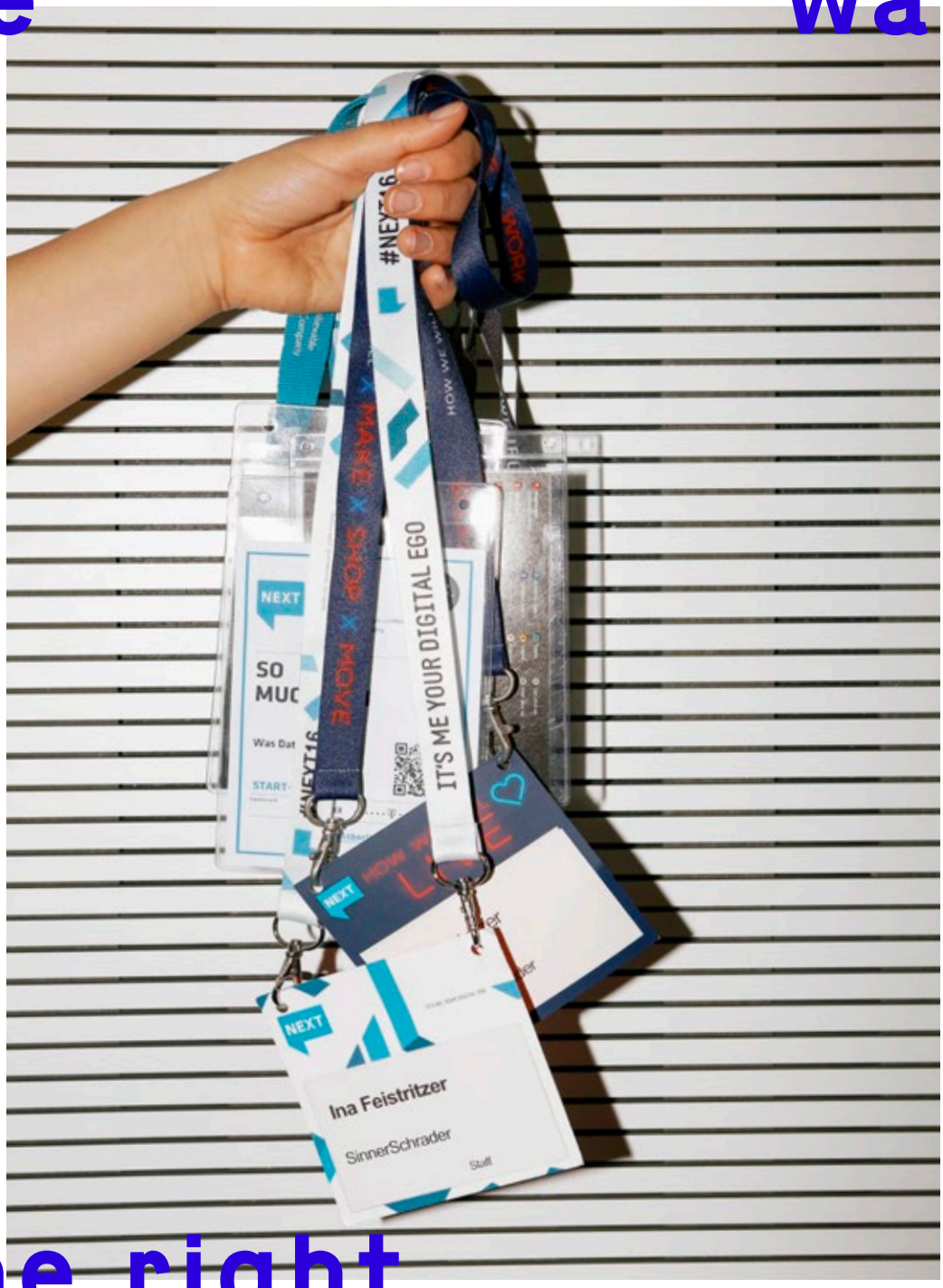
FELICITAS KUGLAND
Technical Director,
SinnerSchrader,
Hamburg

Milestones
Training, self-employment, freelancer, multiple agencies

Interprets the foam on coffee and even has a Facebook page for it: "Kaffeeklecks"

Ina Feistritzer

We want



the right 1,000.

What does the digital future look like? How will we live in the future? And what does this rapid development mean for agencies and clients? For more than 10 years, SinnerSchrader has tried to answer these questions and set the course with NEXT. Ina Feistritzer runs the conference and puts together a trailblazer programme with her team.

The upcoming NEXT conference will be held on 21/22 September 2017 as part of the Reeperbahn Festival in Hamburg. More info at nextconf.eu.

What is NEXT?

NEXT is a digital conference that was created for SinnerSchrader's tenth anniversary. It's hard to imagine today, but at the time there was hardly anything else like it. Tech conferences and events about technology were just emerging. We occupied this niche with NEXT.

The niche is fairly crowded now, isn't it?

Yes, and NEXT has grown much bigger over the years. It was held in Berlin several times, with a focus on start-ups. In 2015, we brought NEXT back to Hamburg, and now we're looking more at people's living environments. We're driven by the question of how new technologies affect our lives. How is life changing for people, for consumers, and what does this mean for our clients?

→

You're talking about SinnerSchrader clients such as Deutsche Bank, Allianz, and, most recently, Audi?

Yes, exactly, big corporations whose digital transformation is being supported by our agency. Which products could eliminate existing business models? Which technologies will enable established players to bring new services to the market? How do companies have to transform in order to be more agile? This is what we want to explore with international experts at NEXT.

What role does the human factor play here?

NEXT is a platform where you can get to know other fascinating people with a passion for digital technology. You can meet potential collaborators or colleagues here. It's this networking aspect that we want to develop even more.

You worked as a journalist in New Zealand and studied ethnology in Germany. How did you wind up at NEXT?

I've always been interested in foreign cultures – and that's all that NEXT was for me at the start. I wasn't really familiar with the issues. I generally wasn't the most technical person on Earth when I took over the PR for NEXT five years ago. But I immediately realised how important the issue was. NEXT has opened up a fascinating universe for me.

What do you personally value about the work?

SinnerSchrader gives you opportunities for personal development. The motto of "still day one" is really put into practice. We can try out a lot of things without worrying about making mistakes. The human interaction here is really something special. And that extends to NEXT.

How do you create the programme for NEXT?

It's a mosaic with a lot of pieces. I look at which experts are currently grappling with which issues, and also at what our colleagues and clients are busy doing. I sniff out the topics that are currently in the air. And I visit a lot of conferences abroad – and often discover international speakers that could be interesting to us.

Which topics are hot at the moment?

At the last NEXT one of the main topics was blockchain, which is the technological foundation for cryptocurrency and transaction security on the network. The topic is still exciting. Artificial intelligence will also occupy us for a while at NEXT. These are complex issues, but under the motto of "Go for it!", we want to make them accessible to people with less prior technological knowledge.

Which speakers have impressed you – and who would you like to book?

There are so many highlights, because we've had a lot of nice, competent people – such as Nell Watson from Singularity University. She has smart, profound insights into AI, machine learning and robotics – but a positive outlook as well. Rana el Kaliouby would be great. She deals with emotional tracking, which involves helping machines learn to recognise emotions.

It can't be a coincidence that you mentioned two women.

I think it's exciting for women to work in a technical environment – they're role models. But above all, the speakers – male and female alike – have to have a good topic and be able to talk about it well.

What does the future look like for NEXT?

Our goal is to continue offering a very good conference that is exciting in terms of both the presentations and the structure of the audience. We don't have to turn it into an event for 5,000 attendees. We want to have the right 1,000 and be able to talk with them.

And for you personally?

I can imagine taking the stage at NEXT. I'm comfortable on a small scale and not really so nervous. But generally, I'm not the type of person to make a set of life plans. And maybe this fits with an agency that has to continually reinvent itself and assert itself in an agile environment. SinnerSchrader gives me the opportunity to continually reinvent myself as well.

It sounds like a dream job.

It is. I get to attend conferences and explore exciting topics. Topics that other people haven't even heard of yet. It's important to me to keep looking ahead. I want to follow this path into the future and be able to translate and discuss the developments we see on the horizon. And NEXT is the ideal forum for me.

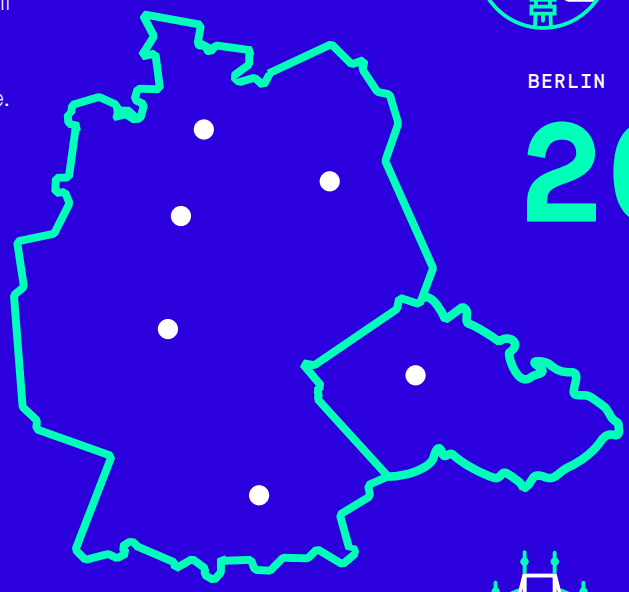
INA FEISTRITZER
Head of NEXT,
Chief Editor,
SinnerSchrader,
Hamburg

Milestones
Axel Springer,
Jahreszeiten,
and many more

WhatsApp status: What's NEXT?#

Mind count.

Our employees produce a lot more than ones and zeros. For example, employees stay with SinnerSchrader an average of five years. A figure that makes us proud. Will things stay this way? Telling fortunes from coffee grounds is not our thing - even though we go through 18 kilos of coffee per week at our Hamburg office alone.



BERLIN
26

HAMBURG
359

HANOVER
15

FRANKFURT
53

MUNICH
39

PRAGUE
13

TOTAL EMPLOYEES
505

FEMALE
35 %

MALE
65 %

Date of data collection: 31 August 2016

Mind count

CONSULTING/STRATEGY

128

CREATION

112

TECHNOLOGY

204

ADMINISTRATION

61

AVERAGE AGE IN YEARS*

34

COMPANY AFFILIATION IN YEARS*

5

AVERAGE NUMBER OF GOOGLE SEARCHES PER DAY**

10 ×

VEGETARIANS**

8 %

ARRIVES TO WORK VIA BUS OR TRAIN**

68 %

COFFEE CONSUMPTION PER WEEK***

18 kg

* Group average ** of SinnerSchrader Hamburg employees *** SinnerSchrader Hamburg

Just go for it.

Uli Schumacher joined SinnerSchrader as a developer six years ago. Now he's a Technical Director. It's a career he never imagined he'd pursue – because he actually had very different plans. But the agency recognised his potential, and he seized the opportunities he was offered.

Ulrich Schumacher

In the hallways of SinnerSchrader in Hamburg, Berlin, Munich, or Frankfurt, you'll always hear the same thing: The agency has a family atmosphere. And like any family, there is a clear division of roles. One person is responsible for finances, another perhaps for making sure the refrigerator is full. And there's always someone who carries the others along.

Uli Schumacher is this person. He's been a Technical Director at SinnerSchrader for three years. But does this mean he pushes himself to the foreground? Absolutely not. He often only realises in hindsight that he's the one who has kept things going. He doesn't brood for a long time about doing something – he just does it. "There's so much freedom here. If you're willing to accept responsibility, you can make good use of this freedom," Uli says.

"I grew up with computers, but my goal was actually to be a designer." He used Photoshop to design flyers for events, and he applied to train as a media designer at an agency with a website he designed himself. But the agency was more enthusiastic about his programming skills than his designs – so they trained him as a developer.

Uli went freelance immediately afterward. He built intranet systems for agencies and programmed data administration systems, enterprise resource tools and kiosk applications. But despite the interesting jobs, he missed the interaction with colleagues, the teamwork on exciting projects.

Independent work, client-oriented thinking, and, of course, a high degree of technical competence. SinnerSchrader recognised Uli's potential. His job interview focused not only on his qualifications, but on what makes him tick. That impressed him. "The nice thing here is that it's a community that supports you. I learned more in my first six months here than I had in the six previous years of work."

Today Uli conducts job interviews himself. "I'm most interested in personal drive." It's important to have potential. But no one can teach the human side of things – and these are also qualities that are nurtured. "At some point, I was offered my current position. At first I wasn't sure whether I could do it, whether I was the right type or whether I could fill the role."

He's been a team leader for three years – and it's clear why he was given this job: Uli is an empathic person, something that's very helpful in a position with responsibility for others. He's also technically experienced, and he's good at talking to clients. It makes sense that he was invited to help set up the Munich site in order to work more closely with client Allianz.

Above all, he enjoys seeing his colleagues develop. Uli says a few of his team members surpassed him technically a long time ago. But that just spurs him on. "I still know enough to be able to share my experience with beginners," Uli laughs. He likes it when things click with people and they want to try out new things. This is in keeping with the motto of "Go for it!".

Like most developers, he always wants to try out new things. "You have so many opportunities to help shape things here." Most of all, Uli wants to encourage young employees to seize opportunities themselves. For him, the greatest achievement would be to make his own role as a team leader superfluous. "Titles aren't important to me. When you're standing at the coffee maker, you can't tell who the boss is." Uli himself says that, at the end of the day, he's just a cog in the machine. But these cogs are what keep everything running.

ULRICH SCHUMACHER
Technical Director,
SinnerSchrader,
Hamburg

Milestones
Training, then four years as a freelance developer

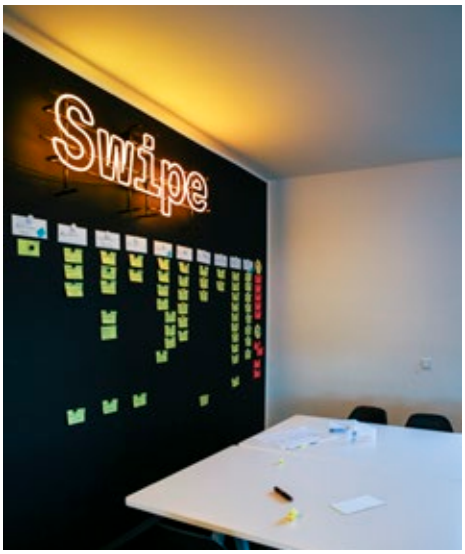
Collects classic video games and vinyl, DJs on the side

Katharina Stoltze

Everyone at one table.

SinnerSchrader Swipe is the agency's special unit for mobile developments. This is where software and apps that excite clients and users are created. It's successful because the team works so well. At other companies people might say: We're all in the same boat. In the Hamburg office of SinnerSchrader Swipe, all of the employees sit at a big table. Katharina Stoltze is one of them.

"Suddenly I was a forklift expert – I could have created a pack of Top Trump cards."



Katharina Stoltze

"We play an advisory role for clients and we question things. We're actively involved in the concept and strategic orientation. Our mission is to get the best out of every project."

The way to the SinnerSchrader Swipe office leaves many visual impressions on the visitor. The Brahms Kontor building from 1904 looks traditional at first, but the colours in the lobby are shrill, and the golden lift could just as easily be found in a casino in Las Vegas. When you reach the top floor, you're greeted by a modern office with a lot of glass – and a fantastic view of the city centre. "When clients visit for the first time, they're surprised. Many times!" Katharina Stoltze says with a laugh.

The Hamburg native understands the power of design. After graduating from secondary school, she studied communications design and worked for agencies on the side. "I focused on digital technology early on. It was the perfect time: the iPad and iPhone were new and you could still try a lot of things." For example, for her final project she developed an app known as Change for digital donations. "We wanted to help the homeless. In combination with a wearable, you can use the app to donate something as you pass by."

At SinnerSchrader Swipe, Kate works as a Senior Art Director. She ensures that a client's request for an app and the technical possibilities are combined for a an optimal user experience. This is the approach of SinnerSchrader Swipe. Service design is about developing products that people really want to use. For example, an app that is repeatedly opened and thus has a reason to exist. "We create value," Kate puts it succinctly.

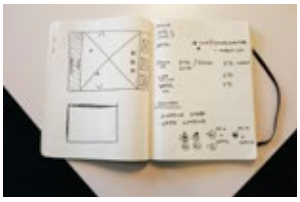
In order for this to succeed, the team follows the traditional route from the briefing to the research phase. It defines target groups and outlines the daily routine of a user. "We want to determine where the app interfaces should be. Where do we encounter users? How do we support them in their everyday life? We use this to derive important functions." This is what excites Kate about the job. "We play an advisory role for clients and we question things. We're actively involved in the concept and strategic orientation. Our mission is to get the best out of every project."

The projects usually have the same rough framework, but they differ completely in their content. "You have to continually immerse yourself in new subjects. One of our clients was Jungheinrich, who manufactures forklifts. Suddenly I was a forklift expert" When the issues are complex, a good exchange with colleagues is especially important. This is also the philosophy of Swipe. Everyone sits around the same table, so the communication channels are short. "You can ask questions directly instead of always writing e-mails."

Swipe and SinnerSchrader have now joined forces. "There used to be fewer than 20 of us, now we have hundreds of colleagues." This changes the communication, but it has advantages. "We have a lot of support now. We can access more resources and expertise." One example of this new collaboration is the client Audi, for whom every department works together.

Kate's enthusiasm is infectious, and even in her daily work she wins her co-workers over and moves new ideas forward. "If you don't continue to develop and just keep doing the same thing, you never make any progress – and at some point you'll be passed by." Kate has nothing to fear in this regard – not at SinnerSchrader Swipe and not in her free time. In races such as the Fisherman Strongman or the halfmarathon, lets hardly anyone pass her.

Katharina Stoltze



KATHARINA STOLTZE
Senior Art Director,
SinnerSchrader Swipe,
Hamburg

Milestones
Studied communications design, Syzygy Hamburg and Hi-ReS! agencies

Would like to visit Palawan or New Caledonia

What has been important to you personally while working for and with SinnerSchrader over the past 12 months?

"Winning the Audi account above all – and every day I'm excited by the responsibility and freedom this gave us in building a great, competent team."

Arndt Allmeling
Executive Director, SinnerSchrader, Hamburg

"The realisation that SinnerSchrader has become a bit of home for me! I've been here for six years, and in this time I've received opportunities and seized them."

Tamara Bianco
Account Director, SinnerSchrader, Hamburg

"I'm really astounded by how much trust is placed in me. And I could ask anyone about the 1,000 questions it felt like I had."

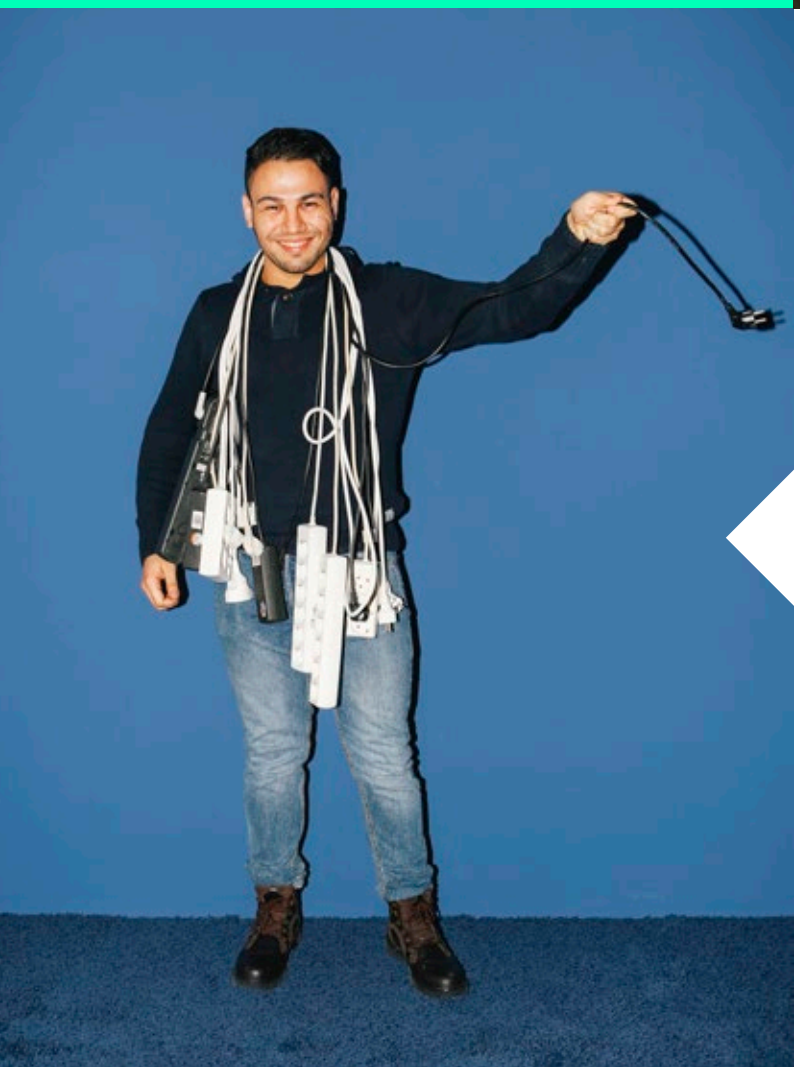
Sarah Osterkamp
Trainee, SinnerSchrader, Hamburg

"Our site in Prague has developed into a large and very international team with colleagues from nine different countries. And we've found a way to stay small and agile as we've grown."

Petr P. Janda
Senior Art Director, SinnerSchrader, Prague

“I’m very proud of our fantastic team, whose achievements and resilience I respect a great deal. Together we successfully scaled a cutting-edge technology to an unparalleled dimension.”

Peter Ehrenberg
Director, SinnerSchrader, Hamburg



“I was impressed by the relationship between the managers and the employees. It’s very friendly, and everything is based on mutual respect. The team is like a family.”

Majd Assalieh
Trainee, SinnerSchrader Commerce, Hamburg

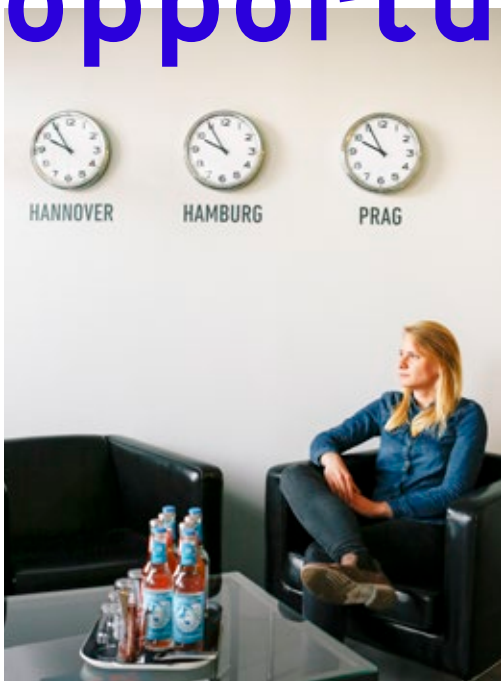
“I’m always inspired by the team solidarity. And that we can create exciting apps together across different sites.”

Beatrice Allesch
Senior Concept Mobile, SinnerSchrader Swipe, Berlin

“I was able to develop the simplest check-out in the sector for our client’s online shop. Our client’s enthusiasm makes me very proud.”

Frank Wagner
Senior Consultant, SinnerSchrader Commerce, Hamburg

Seeing opportunities,



You can confidently call Julie-Anne Sievers a home-grown talent. She wrote her bachelor's thesis at SinnerSchrader and was offered a job by the agency right after she graduated. Originally from Northern Germany, she now works at the Prague site. And that's definitely just the start.

seizing opportunities.

"If SinnerSchrader intended to open a site in Copenhagen – I'd be right there!"

Offering opportunities, encouraging employees: For SinnerSchrader, these are important components for success. You form partnerships with your colleagues, ideally in the long term. You accompany them on their journey and ensure that they succeed. They learn to take responsibility and can trust that they'll receive all the support they need to achieve their goal. Then every door will be open to them.

For Julie-Anne Sievers, these are the things that matter. She learned early on from her mother – who founded her own company while raising four children on her own at the same time – that the world was open to her, and that you can accomplish a lot with courage and perseverance. While studying business administration, she completed an internship at SinnerSchrader Commerce. She immediately felt comfortable with project management, and she was able to write her bachelor's thesis at the company. What's more: right after she graduated, Julie-Anne was offered a job.

In the first few years, she learned intensively about the agency business. "I actually wanted to go into strategy," Julie-Anne says. "But instead I ended up in Prague for six months." The move came at the perfect time, because she had been toying with the idea of gaining experience in a different city. She feels that being sent abroad at once was a bonus.

As a project manager in Prague, Julie-Anne looks after the interests of clients such as HSE24 in Munich. As a consultant, she advises clients, observes processes on site, and provides tips for improving workflows. Her aim is to work with clients to turn the right wheels and optimise processes. The technical knowledge she acquired during her earlier years at the digital agency is helpful here.

"I'm a generalist. I coordinate information and prepare it for clients so I can recommend a course of action," Julie-Anne says. You could also say she's an interpreter who translates clients' requests for the developers and explains the possibilities to the client. Her strength – motivating colleagues and clients and moving things forward in a positive way – was recognised by SinnerSchrader – who distinguished her as the best generator of impulses.

There's something else that appeals to her about the work in Prague, too. "I think it's fantastic that I've been able to improve my English a lot here." This is because employees from various countries work in Prague, so the agency language is English.

The half-year ended a long time ago, but Julie-Anne's responsibilities haven't. She sees this as a great opportunity. "I can really live life to the fullest here, and I have a lot of freedom." Above all, she's made friends here now. But when asked where her professional journey will take her next, Julie-Anne starts to ponder. "There are so many wonderful opportunities at SinnerSchrader." Although she cherishes her home and being close to family and friends, she feels an intense longing for other countries and can imagine staying in Prague. But she could also get excited about very different jobs as well. One option would immediately win her over: "If SinnerSchrader intended to open a site in Copenhagen – I'd be right there!"

JULIE-ANNE SIEVERS
Consultant,
SinnerSchrader
Commerce, Prague

Milestones
Has worked at Sinner-
Schrader since
graduating

Rides a longboard

From the Bay Area to Bavaria.

Germany isn't so far away from Silicon Valley. At least, that's the opinion of Adam Christian, site manager for SinnerSchrader in Munich. He's excited by the start-up feeling at the agency, the joy of experimentation, and a passion for new technologies. He brought a lot of ideas with him from the USA, so it always feels like it's "still day one". This is what Adam Christian has to say ...

... about his love of technology:

"I come from a small scenic city in Washington State north of Seattle called Bellingham. Due to the proximity to Microsoft, I had access to visit the Microsoft campus and could always get my hands on their new software through friends and family. My grandfather founded a very successful company in Los Angeles distributing semiconductors, so I grew up inspired by the concepts of technology and entrepreneurship. I was lucky and had access to technology early on, and spent a lot of time as a kid building computers and learning to program. My parents were very understanding and supportive of my passion, regularly allowing me play with Unix late into the night."

Adam Christian

... about SinnerSchrader:

"I'd known about SinnerSchrader for quite a while through JSConf EU. The company's vision always interested and excited me. Companies with a long product history often face the challenge of making the leap to the digital future, and need help and direction to evolve. SinnerSchrader can provide the technical and cultural groundwork allowing these companies to can focus on what they do best. I think it's really important to have a company like SinnerSchrader out there filling this need, and I am excited to help make companies fit for the future."

... about dreams and goals:

"I always wanted to go to California to work at an early stage start-up building something innovative with cutting edge technology. Once I arrived there I had the opportunity to immerse myself in the tech culture, endless meetups, hackathons, product launches, it was exactly what I wanted as a young developer. In many ways, I actually managed to fulfill the dream I had created for myself – I guess it's time to create a new one."

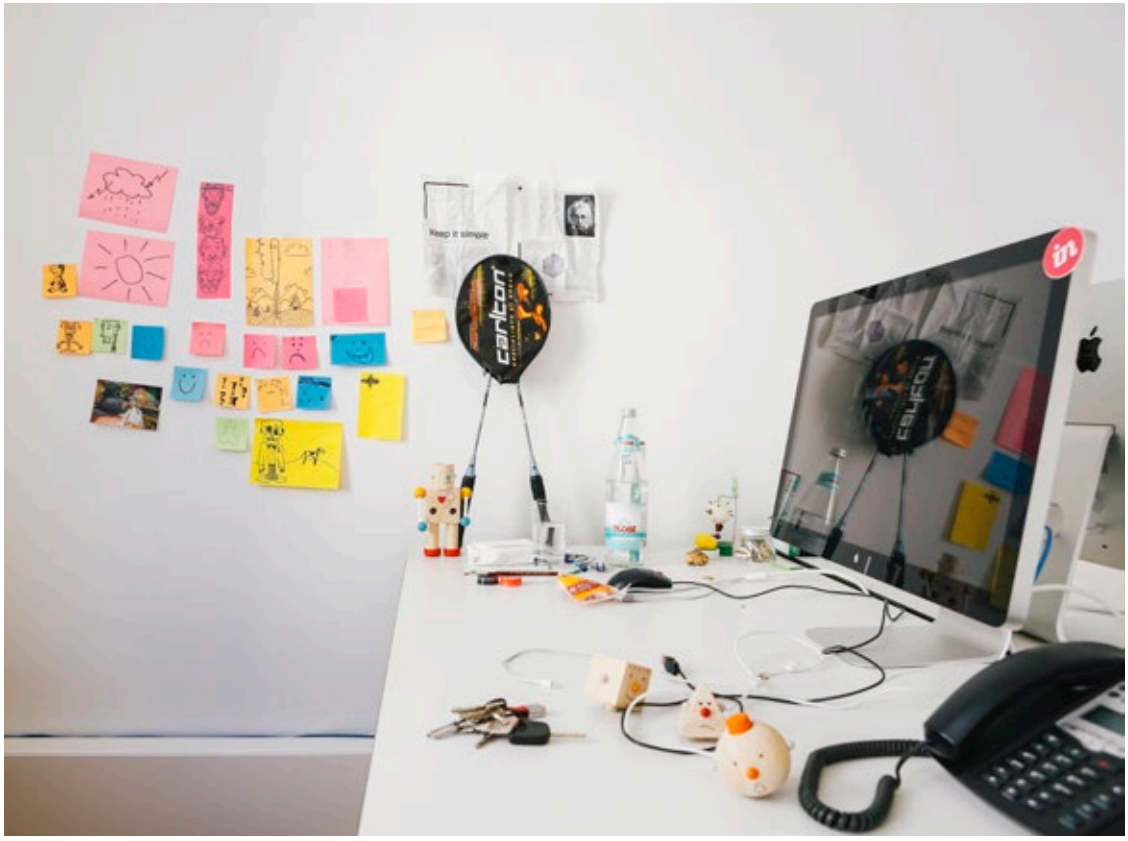
... about his role as a problem solver:

"Every company I've worked for has had very unique problems and challenges to work through – sometimes caused by people, sometimes economic, sometimes technical. I enjoyed identifying and solving all these challenges in order to keep moving forward."

... about Germany:

"I wanted to expand my horizons and find a place in the world that corresponded to my idea of the good life. I decided on Germany and started to learn the language. Four years ago, I spoke at SinnerSchrader in German about software automation. I'm excited by the Germans and their way of viewing the world. My wife and I have particularly fallen in love with Munich, with the mountains, the surroundings, the people."

→



... about his job as a site manager:

"One of my responsibilities is to create a comfortable, productive, and supportive work environment. We want to make Munich THE place for developers. I also make sure that the right people are in the right place for each project – both in development and in management. We have three main clients in Munich: 02, BMW and Allianz. I'm regularly with all of our projects and want to help find new solutions, processes and ways of thinking."

... about new technologies:

"I've always been an early adopter and I intend to stay that way. I want to explore and test the latest software, in order to stay on the ball. That's what I do in my free time as well. I want to embrace and adapt new technologies, new work cultures, and new business philosophies."

... about the difference between Silicon Valley and Germany:

"One of the advantages of the Bay Area is that companies such as Facebook and Google provide a lot of resources for experimentation that will shape the future, constantly attracting top tier developers from all over the world. The German working culture seems to operate generally more conservatively, potentially leading to slower product and technology development. And although Germany doesn't have the density of developers that the Bay Area does, there are plenty of top tier developers building more interesting technology all the time."

... about new clients:

"One of the tasks of a start-up is to keep the developers happy while simultaneously creating the new features demanded by sales and marketing. So I had to maintain a balance between the requirements of the product and the economic factor – while developing high-quality software at the same time. My work at SinnerSchrader is very similar. At the end of the day, we have to develop good solutions and dispel a company's fear of change."

... about his favourite places:

"We take every opportunity to explore the surrounding area. Munich is such a beautiful place and the climate is a lot like back home. We love to ski and definitely want to conquer the Alps. Munich and it's proximity to the mountains feels even more like where I grew up than San Francisco did."

ADAM CHRISTIAN
Site Manger Technology, SinnerSchrader, Munich, Computer Scientist and Management Expert

Milestones
Mozilla Corporation, Slide, Sauce Labs, Betable

Visits the Oktoberfest every year and owns three pairs of Lederhosen

On → new → paths.

Amy Chan-Ruhnau wants to make new discoveries and do things better – no wonder this world traveller has now found a second home at SinnerSchrader.

← →

"I almost never go to the same restaurant twice. I need change because it inspires me."

For 20 years, clients have viewed SinnerSchrader as a reliable partner because the agency continually reinvents itself. "Still day one" is a value that the company puts into practice. Never standing still, continually detecting new currents, identifying trends but also setting them – in the digital transformation, these are important prerequisites for lasting success. This wins over new clients as well. Just in time for its 20th birthday, SinnerSchrader was chosen by Audi as its leading digital agency. Together the companies will take the carmaker's traditional values into the digital future.

For Amy Chan-Ruhnau, who works on the Audi team, this fits perfectly. Continuous change is her main driving force. After studying design in Sydney and gaining her first agency experience, she worked for Sony for five years. From there she went to Hong Kong to establish a strategy team for an agency. "You have to take the opportunities you're given – who knows if they'll come around again," Amy says.

"It's fantastic that I have the opportunity to work from Berlin."

She stayed in Hong Kong for two years – and then made a dream come true: she moved to London and got a job with Mediacom. For the next two years, she dealt with the question of how to get advertisements onto mobile phones and how new media formats can be used.

Sydney, Hong Kong, London. How did Hamburg fit into this list? The place wasn't decisive for Amy – even though she missed the hustle and bustle of the metropolises a bit. "I'm a big-city girl," she says. At SinnerSchrader, it's the work that entices her. As a strategist, she's instrumental in shaping the digital future of clients. The same applies to her actual job. SinnerSchrader offers the right environment for this. Employees such as Amy are encouraged to follow their own path – even if it means that the job turns into a long-distance relationship. Because Amy's next stop was already set: Berlin. The capital is one of her favourite cities – because there's something new to discover every day. "I almost never go to the same restaurant twice. I need change because it inspires me," Amy says. "It's fantastic that I have the opportunity to work from Berlin." Nonetheless, she's often together with her team, and she visits Hamburg at least once a week.

Amy very much appreciates this flexibility and the trust that is placed in her. It makes her feel both free and part of a whole. This is why SinnerSchrader has become something like a family for Amy. Here she can be who she really is – and use her skills for the greater good. "I want to inspire and strengthen the team," Amy says. One way of doing this is through training courses, where she shows how service design is used, how to conduct interviews, and how to give presentations to clients. But at the moment, her main focus is on helping Audi move into a digital future. "Our new client is one of the most innovative car manufacturers in the world. Together we want achieve this for its digital services as well."

But when Amy is asked about her own future plans, she shrugs: "We have fantastic clients, a great team, and there's still so much to learn here. I'm absolutely happy."

AMY CHAN-RUHNAU
Strategy Director, SinnerSchrader, Berlin/Hamburg

Milestones
Sony, OMD, Mediacom

Volunteered at a tortoise farm

Felix Disselhoff

We are a

SPEEDBOAT.

At the age of 12, Felix Disselhoff already knew: "I'm going to be a journalist." Following stints at several national publications, he's spent the past two and a half years as Editor in Chief of CURVED at SinnerSchrader Content. He's not only concerned with gadgets but also with the well-being of his team and with new formats.

How did you get into journalism?

First I studied media and cultural sciences in Düsseldorf and then journalism at the Hamburg Media School. Early on I did internships and freelance work on the side, such as shooting videos for Axel Springer Digital TV. After graduating, I wrote for various sections of national publications such as stern.de, Zeit Online and Spiegel Online. But technology and gadgets are my real love. I think it's fantastic to try new technologies before everyone else and write about them.

How has the job of a journalist changed over the past 10 years?

When I started, the economic crisis were leading first to an advertising crisis and then to a media crisis. It quickly became clear that the old business wasn't working anymore. Publishers can no longer sell ad pages for € 100,000 because you can advertise much more cheaply and efficiently on the Internet. But the publishers were making hardly any money online back then.

→

So was it the wrong career choice?

No, because a virtue was made out of necessity. The cost-cutting led to a lot of creativity. Established publishers are trying a lot of new things as they search for new target groups, such as Spiegel Online with Bento, or the Zeit publishing house with Zett. This desire to reinvent oneself keeps the job exciting.

How does CURVED fit into this picture?

Very well. CURVED is a result of the media upheaval. Our editorial team isn't tied to a publisher but to a digital agency, so we're a real media start-up.

Which topics do you cover?

When we started, Germany didn't have tech portals such as The Verge or Mashable, we had Computer Bild for beginners and the Heise Verlag, which addresses a very tech-savvy target group. But while a lot of people are interested in technology, benchmarks and data sheets aren't the most important things to them. They want to know what they can do with the new technology. We call this target group Generation Touch. And this is the segment we occupied.

What was it like when CURVED started?

Everything was new, and even the idea behind it hadn't existed before. SinnerSchrader is an expert when it comes to establishing and running platforms, and that's exactly what CURVED was at first – a website to be filled with content. A publishing arm was founded for CURVED: SinnerSchrader Content GmbH. In the early days, there were 2 editors and 20 developers, with agency director Matthias Schrader in the middle. Gradually the editorial team was expanded to include journalists, social media experts, picture editors, and a video team. Now there are around 15 people working on the project in Hamburg.

How does your daily work differ from other editorial teams?

We're a media start-up with a lot of data and tech expertise – that distinguishes us from publishers or content agencies, and it gives us the opportunity to try many more things and completely rethink content. The same applies to narrative formats, our imagery, and our types of videos, as well as to the platforms on which we place our content. We serve all channels, so we can see which content works best where.

Is there a formula for successful stories?

Unfortunately media products don't work that way. You gain new experience every day – namely by trying things out. Otherwise you'd only ever have best-selling books, top-rated TV programs – and every article we write would go through the roof. We see what our readers like, analyse the traffic, and use this information to create what we hope is an interesting mix. But just like every other editorial team, it's a challenge every day. Our success has proven us right – CURVED has more than 3 million visitors every month.

Where do you get the ideas for the mix?

Mostly from competent colleagues, all of whom are very interested in technology and see more opportunities than hurdles in the digital future. We use tools to analyse which subjects are currently working well on the web, be it Facebook, Twitter, YouTube, Instagram, or Snapchat. And our success isn't just expressed in positive figures. We've earned a good reputation in the sector, so we often get exclusive stories. And we produce the best visual and film material in our segment.

How do you view your role?

My understanding of the role of an editor in chief fits perfectly with the philosophy of SinnerSchrader. It's mainly about managing the team and creating an environment in which everyone can do the best possible job. The times are gone when one person stood at the front, dictated the rhythm, and said how things had to go. With the right team, this isn't necessary. We want to make our employees successful. We see where their talents lie and how they develop. This is a long-term strategy – and it pays off for every one of our projects.

Looking ahead, what do you see?

Media face the challenge of remaining recognisable as content originators. The media are all to be in the very individual streams of users. They compete with news from friends and other brands. You have to respond more quickly. And I'm in just the right place, because this is exactly what SinnerSchrader can do. The agency is fast and agile. We're like a speedboat in the media business. We feel every wave, but we're more nimble.

What happens when there are no more gadget stories to tell?

This is a strategic question about what the media canon of SinnerSchrader should look like. We've made a start with CURVED and we're still gaining experience. But who knows – the agency has clients who might also be interested in content. One thing is certain: we could handle it.

FELIX DISSELHOFF
Editor in Chief of CURVED, Hamburg

Milestones
Journalism degree, stern.de, Zeit Online, Spiegel Online

Wants to compete in the Ironman next year. Fingers crossed!

From paintbrush

to

pixels.

Daniel Lichtmeß has found a new home twice over: In Frankfurt am Main in general, and at SinnerSchrader in particular. As a Creative Director he's responsible for good designs, and as a person he enjoys the family atmosphere and the modern way of working.

He gets his motivation from the analogue world. A pencil and a Moleskine sketchbook – Daniel doesn't need anything else. The pencil is not so much a tool for him as an extension of his thoughts. He moves his hand expertly across the page as he brings people, places, and fabulous creatures into being. Drawing grounds him and clears his head. Sometimes he gets on his bike and cycles to the Taunus mountains, where he sits on one of the many hills, gazes into the distance – and starts to draw.

Daniel Lichtmeß is originally from the Saarland. He knew at an early age that he eventually wanted to do something with design. So he rode 100 kilometres on the train every day to attend a technical college – where he completed his training with honours as the best in his class. After finishing his civil service, he studied at Trier University of Applied Sciences, where he focused on illustration and typography. Thousands of drawings and countless typefaces later, he discovered motion design. He was fascinated by bringing things to life on the computer and giving them functions.

He lived in Frankfurt with his girlfriend and commuted to an agency in Cologne every day, where he made his first attempt at the development of digital services. He was eventually hired by Razorfish in Frankfurt, where he stayed for six years. It was an educational period, and he won many awards for his work.

Through his girlfriend, who worked at SinnerSchrader, he got to know and like a number of her colleagues. They would meet after work. So it felt like a logical step for Daniel to accept the offer of a job as Senior Art Director. He was enticed by the combination of creation and technology and the opportunity to develop something for the future.

Daniel has arrived. When the team spirit is right, he says, the output is all the better. Around 50 employees work on a single floor at the Frankfurt site. It's a bit like a start-up. That's due largely to the very informal atmosphere.

He appreciates the short communication channels in the company. If you approach the management with requests or ideas, you very quickly get good feedback that you can work with. If you want to change something, it happens more easily and much faster than in other agencies. It's not just the way of working that excites Daniel, however, but also the projects he works on. Clients such as Deutsche Bank and ERGO have great potential. He wants to give them even better proactive support in their digital transformation.

For Daniel, this provides a lot of motivation – in view of the future as well. He wants to continue living and working in Frankfurt – his parents are just two hours away, and the landscape outside his front door is perfect for a nature fanatic. He loves mountain biking. He conquers every hill in the vicinity and then races down the slopes on his bike. And one thing is always with him: his sketchbook.

DANIEL LICHTMESS
Creative Director,
SinnerSchrader,
Frankfurt am Main

Milestones
Designstudium,
Razorfish und
andere Agenturen

Current artwork at
#asakurakuro

Spends a lot of money
on bikes

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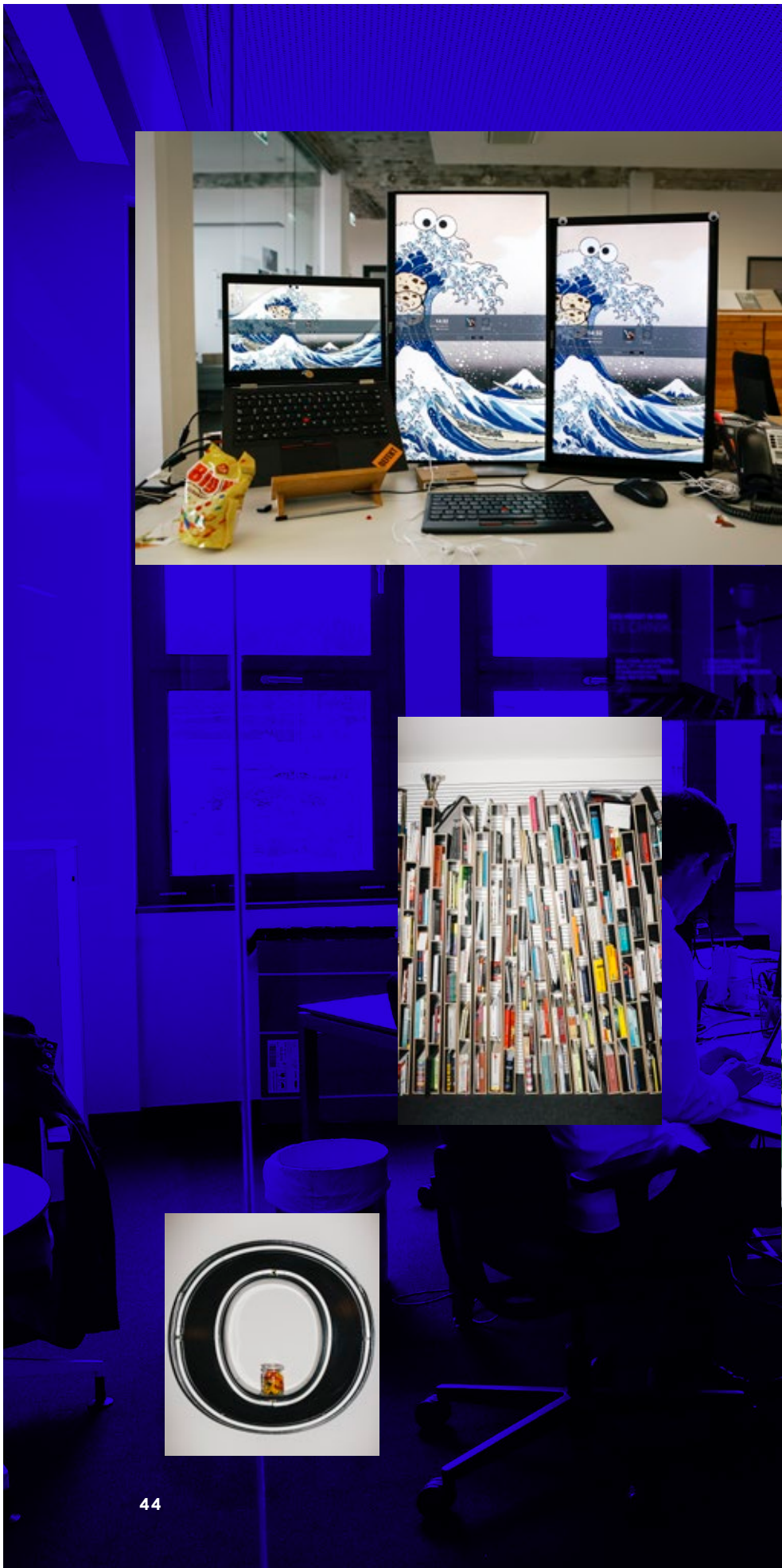
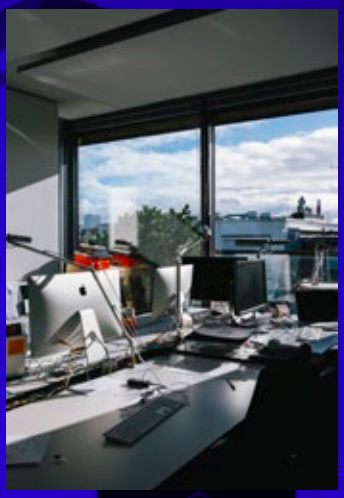
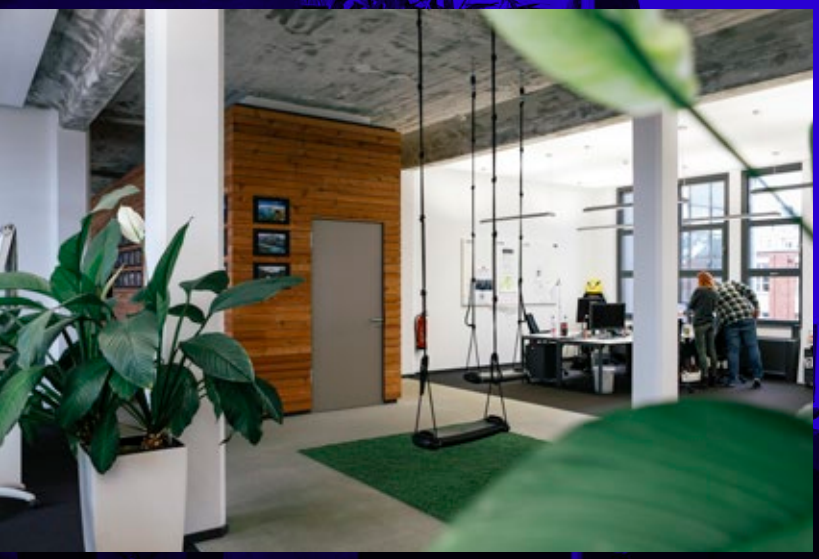







LOVE
NEXT

The Share

Stock Market

In SinnerSchrader's 2015/2016 financial year extending from 1 September 2015 to 31 August 2016, the German stock market did not change much at all. From the closing level of 10,259 points on 31 August 2015, it rose by just 3.2 % to close at just under 10,593 points on 31 August 2016. After growth of 20.5 %, 16.2 %, 16.9 % and 8.3 % in the previous years, share price development momentum has clearly slowed.

In the reporting period, prices fluctuated between the highest index closing level of 11,382 points on 30 November 2015 and the lowest of 8,753 points on 11 February 2016 in a relatively narrow range of 2,629 points in comparison to the previous year. In the 2014/2015 financial year, this range was 3,802 points.

Whereas in the first four months of the reporting period the DAX was essentially above the closing level of the previous year, it remained below the previous year's level on almost every trading day for the remaining seven months. It was not until early August that it exceeded last year's level, finishing the year on a slight upturn.

The positive overall fundamental economic data and the generally positive mood in the German economy reflects the course of the lead index of the German stock market to a limited extent only. Uncertainty resulting from the political situation seems to be the main cause of this: the refugee crisis, the tense relationship of the European Union and the USA with Russia, the referendum on the United Kingdom's departure from the European Union and the surprising results of the US presidential election campaign had a dampening effect on price development.

The fact that the DAX had an upswing at the end of the reporting period, in spite of the uncertainties, was not least due to the continuation of the loose fiscal policy by the European Central Bank.

The Technology All Share index developed in line with the DAX over the entire period, meaning that technology issues did not play a major role on the German stock market from September 2015 to August 2016.

However, a closer look at the IT-related indices – e.g. the DAXsubsector IT-Services index and the DAXsector Software index – shows that they performed much better than the cross-sector lead index DAX and on 31 August 2016 closed at levels that were 22.0 % and 28.6 %, respectively, above the previous year's closing level.

SinnerSchrader Share

Over the 2015/2016 financial year, the SinnerSchrader share clearly outperformed the comparative indices and increased in value by 52.0 %. This means that the share made up its weak performance in the previous financial year. Viewed over two years, the price of the SinnerSchrader share rose by 43.7 %. The share therefore performed better than the comparable indices over the two-year period, with the exception of the DAXsubsector IT-Services, which increased by 59.5 %. DAX, Technology All Share and the DAXsector Software posted increases of 11.9 %, 34.7 % and 39.7 %, respectively, over these two years.

After the withdrawal from the NEXT AUDIENCE business, which was announced at the end of June 2015, had been processed and understood by the market and the opportunities for increasing the operating result due to the withdrawal had become clear, the share price rose primarily in two waves. The first wave started with the announcement of the provisional figures for the 2014/2015 financial year in mid-October 2015 and continued until the end of December 2015. In this period, the price of the SinnerSchrader share grew relatively continuously from €3.00/€3.20 up to € 4.80.

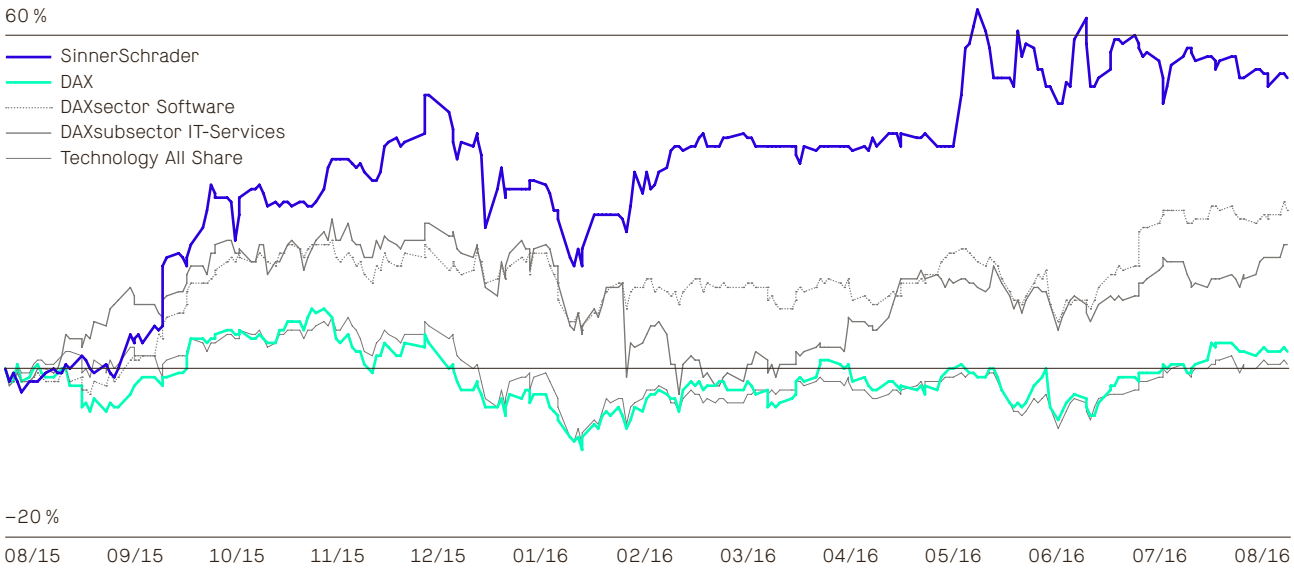
This marked rise was followed by a period of consolidation in the first five months of the 2016 calendar year in which the price moved sideways, slightly below the maximum price as of the end of December 2015. On 31 May 2016, the price passed the € 5 threshold for the first time in years, and it hovered around this level from June to August 2016. On 3 June 2016, the share reached its highest level of the reporting period in Xetra trading at € 5.28. The price was € 4.89 as of the end of the SinnerSchrader financial year.

Good price development continued in the first weeks of the new financial year, particularly after the announcement of the provisional figures for the 2015/2016 financial year in mid-October.

In spite of good news and positive price development, share liquidity did not improve year-on-year. An average of 12,792 shares were traded every trading day across all German trading centres, following 13,460 shares in the previous year. At € 53,675, the equivalent value in euros this reporting period was higher than the prior-year value of €44,191. The number of shares traded surpassed the threshold of 50,000 shares on 11 trading days in both

SinnerSchrader share price performance 2015/2016 (index-linked)

Xetra closing prices in % +/- compared to price on 31.08.2015 (= 100%)



Share price performance data 2015/2016[1)]

Price as of 31.08.2015	€ 3.21	Total performance in 2015/2016	€ 1.80
Price as of 31.08.2016	€ 4.89	in % of price as of 31.08.2015	+56.0 %
Price performance in 2015/2016	€ 1.68	Peak price	€ 5.35
in % of price as of 31.08.2015	+52.0 %	Lowest price	€ 3.00
Dividend in 2015/2016	€ 0.12	Shares outstanding as of 31.08.2016	11,244,722
		Market capitalisation as of 31.08.2016	€ 54.9 mio.

1) in relation to XETRA prices

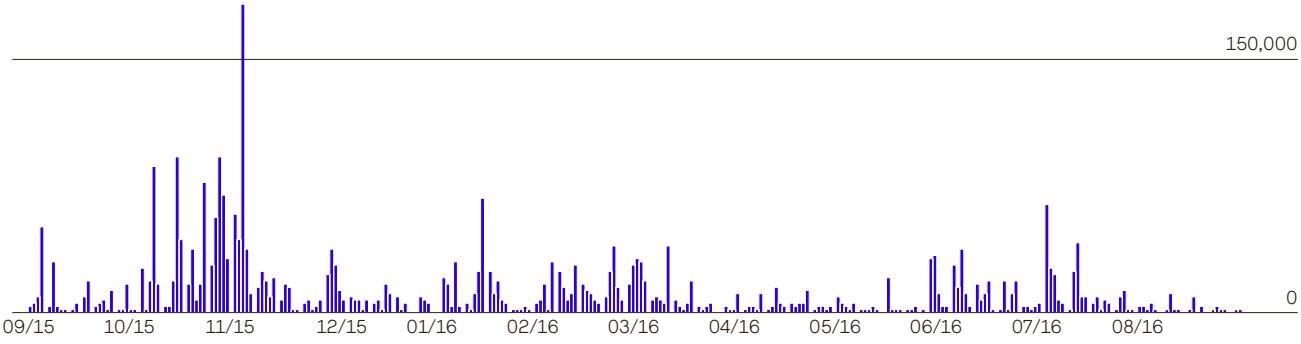
Volume data 2015/2016[2)]

Average volume per day in number of shares	12,792
Average volume per day in €	53,675
Peak daily volume in number of shares	179,594
Peak daily volume in €	730,599

2) in all relevant stock exchanges

SinnerSchrader share sales volume 2015/2016

in number of shares in all relevant stock exchanges



periods. On the most active trading day of the reporting period, 4 November 2015, just under 180,000 shares were bought and sold. The peak value of theprevious year was just under 122,000 shares.

Shareholder Structure

To the best of the Company's knowledge, SinnerSchrader AG shareholder structure remained comparatively stable in the 2015/2016 financial year and up to 20 November 2016. The founders of the SinnerSchrader Group and their families (the strategic investors who joined when the Company went public in 1999 the Management Board and its family members, former and current employees and managers from shares held before or in connection with the initial public offering held 47.2 % of shares as of 31 August 2016 (previous year: 46.4 %). The proportion of shares held by the founders of the SinnerSchrader Group and their families rose by 0.8 percentage points in comparison to the previous year.

The proportion of treasury stock also rose by 1.2 percentage points to 2.6 % over the reporting period. In a share buy-back programme, which ran from mid-October 2015 to the end of the 2015/2016 financial year, SinnerSchrader bought back a total of 288,803 shares from the market. Only 50,000 shares of treasury stock were issued within the context of exercising employee options.

The proportion of investors who have to issue mandatory notifications pursuant to Article 21 of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), fell decreased from 12.9% to 8.0% year-on-year. This was mainly the result of CLEF Holding AG notifying SinnerSchrader AG during the period of the report that its proportion had fallen to 0 %. In the previous year, CLEF Holding AG was reported holding 4.4 % of the SinnerSchrader shares.

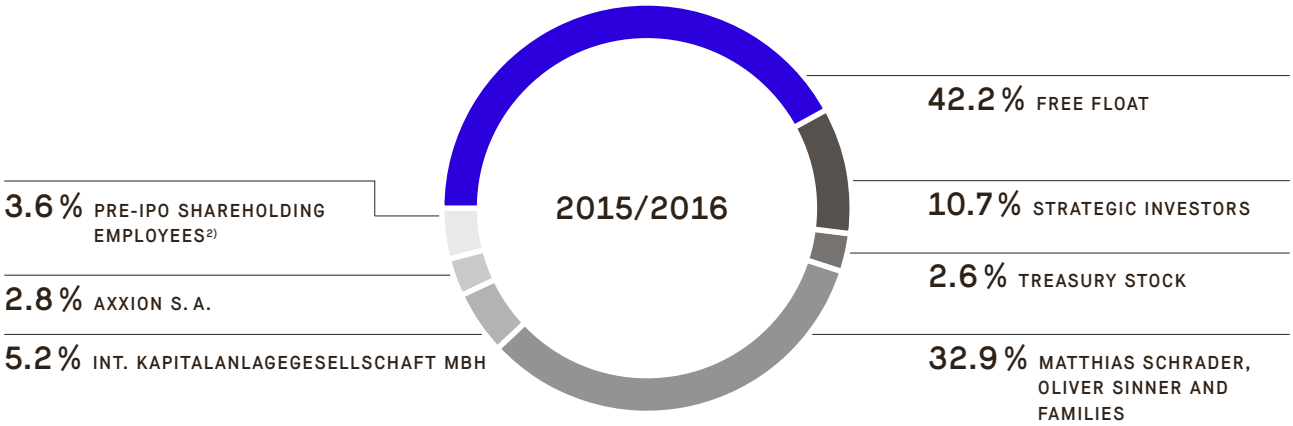
The proportion classified as free float thus rose overall from 39.3 % on 21 November 2015 to 42.2 % on 20 November 2016.

Investor Relations

Providing clear transparent information on the Company's current business development, prospects and plans is one of the most important tasks in investor relations work. One of the main foundations of investment decisions made by investors and potential investors is this information. The in-depth descriptions of business development and the business forecast given in the Annual Report, the quarterly reports and the company reports were therefore also a cornerstone of investor relations work in the 2015/2016 financial year. The relevant information on the SinnerSchrader share is always available to all shareholders and interested

Shareholder structure as of 20 November 2016[1)]

in %



1) to the best of the Company's knowledge
2) If Board or consortium member

parties on the website at www.sinnerschrader.ag.

Written information is supplemented by way of Management Board presentations to investors, for example at the analysts' conference as part of the equity forum in November 2015, and in one-on-one discussions on the telephone or during roadshows. In the reporting period, SinnerSchrader AG also met existing and potential investors in London and Dublin during a roadshow in May 2016.

Investors base their decisions on the analyses, opinions and assessments of others, primarily on those of analysts. In the 2015/2016 financial year, Warburg Research GmbH, Hamburg, Germany; Edison Investment Research Limited, London, UK; and Hauck & Aufhäuser Research, Hamburg, Germany; once again presented detailed studies and regular opinion statements on SinnerSchrader AG statements and developments.

During the financial year, SinnerSchrader transferred designated sponsor duties regarding SinnerSchrader shares from Oddo Seydler Bank AG to Hauck & Aufhäuser Privatbankiers KGaA, which has since ensured the liquidity of the SinnerSchrader share in Xetra trading on the Frankfurt Stock Exchange.

KEY SHARE FIGURES

WKN:
514190
ISIN:
DE0005141907
Symbol:
SZZ
Reuters symbol:
SZZG.DE
Bloomberg symbol:
SZZ.GR
Segment:
Regulated Market,
Prime Standard
Stock exchanges:
Xetra, Frankfurt am Main,
Hamburg, Stuttgart,
München, Düsseldorf, Berlin
Indices:
DAXsector Software,
DAXsubsector IT-Services,
CDAX, Prime All Share,
Technology All Share
Designated Sponsor:
Hauck & Aufhäuser
Privatbankiers KGaA
Analysts:
Felix Ellmann, Warburg
Research
Bridie Barrett, Edison
Investment Research
Christian Glowa, Hauck &
Aufhäuser
Number of shares issued as of 31.08.2016: 11,542,764
Outstanding shares as of 31.08.2016: 11,244,722

Corporate Governance

Corporate Governance comprises all the values, principles, and rules governing corporate management and control. Since 2002, the Government Commission on the German Corporate Governance Code has published principles and standards which characterise good, responsible Corporate Governance. The Code is regularly further developed by the Government Commission on the basis of current findings and requirements. It was last amended on 5 May 2015.

The Supervisory Board and the Management Board of SinnerSchrader AG welcome the development of Corporate Governance in Germany and are committed to the principles established in the German Corporate Governance Code which aim for good, transparent, value-oriented corporate management.

Declaration of Compliance

Under Article 161 of the German Stock Corporation Act ("AktG"), all German companies quoted on the stock exchange must comment on compliance with the principles and norms laid down in the German Corporate Governance Code ("DCGK") once a year in a Declaration of Conformity. On 10 December 2015, the Supervisory Board and the Management Board of SinnerSchrader AG duly submitted a Declaration of Conformity on the basis of the German Corporate Governance Code in the version dated 5 May 2015. Its wording is printed at the end of these comments on Corporate Governance and is always available for viewing to all shareholders and interested parties on the website www.sinnerschrader.ag under "Governance", together with the wording of the Code. The declaration confirms that, with just a few exceptions, SinnerSchrader complied with the recommendations of the German Corporate Governance Code.

In December 2016, the Management Board and Supervisory Board will deal in turn with the subject of Corporate Governance and renew the annual declaration on the basis of the current status of the Code as of May this year.

Declaration on Corporate Governance

Since the entry into force of the German Accounting Law Modernisation Act ("BilMoG"), companies quoted on the stock exchange have had to submit a declaration on corporate governance, which, in addition to the Declaration of Conformity, is to provide relevant information on its corporate governance practices applied over and above the legal requirements, and a description of the functioning of the Management Board and the Supervisory Board as well as of the composition and functioning of its committees. This declaration is also always available for viewing on the website www.sinnerschrader.ag under "Governance".

Company Boards

The management board of a stock corporation is appointed by the supervisory board and is independently responsible for managing the enterprise. It carries out business in accordance with the law, the statutes of the company, and the rules of procedure decreed by the supervisory board for the management board. Under these rules, the management board is required to seek approval from the supervisory board prior to undertaking certain business transactions.

The Management Board of SinnerSchrader AG still consists of two members. The appointment of the Chairman of the Management Board, Matthias Schrader, was extended to 31 December 2020 in the 2014/2015 financial year. Following the extension of his appointment on 14 October 2016, the Chief Financial Officer Thomas Dyckhoff has now been appointed until 31 December 2021. Conflicts of interest under Section 4.3 of the German Corporate Governance Code did not arise in the 2015/2016 financial year.

The Supervisory Board monitors the Management Board and advises it on the management of the Company. The key tasks of the Supervisory Board include, acting as the representative of SinnerSchrader AG to the Management Board, appointing members of the Management Board, establishing the compensation for these members, monitoring the work of the Management Board and the Company (particularly as regards accounting processes, the effectiveness of the internal monitoring system), and the effectiveness of the risk management system, commissioning the financial auditors and monitoring the financial audit, approving the Annual Financial Statements and Consolidated Financial Statements, and making decisions regarding the business transactions of the Management Board that require approval under the law, the Statutes of the Company, or the rules of procedure.

The Supervisory Board of SinnerSchrader AG consists of three members elected by the Annual General Meeting. The Supervisory Board currently comprises Mr Dieter Heyde, Chairman, Prof. Cyrus D. Khazaeli, Deputy Chairman, and Mr Philip W. Seitz. With the financial year of the Company unchanged (1 September to 31 August), the members of the Supervisory Board have been appointed until the end of the Annual General Meeting that decides on discharge for the financial year ending on 31 August 2018. In deviation of this, under Article 9 para. 2 of the Statutes, the term of office of Mr Heyde will end at the close of the first Annual General Meeting following his reaching the age of 70, i.e. probably at the end of the Annual General Meeting that decides on discharge for the financial year ending on 31 August 2017.

Conflicts of interest under Section 5.5 of the German Corporate Governance Code did not arise in the 2015/2016 financial year. SinnerSchrader AG has no direct or indirect business relationships with members of the Supervisory Board. In particular, there are no consultancy or other service or work contracts between the AG and individual members of the Supervisory Board.

Compensation Report for the Management Board and Supervisory Board

In accordance with the German Management Board Compensation Disclosure Act, detailed information on the compensation of the Board members can be found in Section 6.2 of the Consolidated Status Report and the Group Status Report as well as in the Sections 5.3 and 5.4 of the Notes to the Annual Financial Statements of SinnerSchrader AG in this Annual Report. The current stock option plans are also explained there and in the Notes to the Consolidated Financial Statements.

Shares Held by Board Members

An overview in Section 5.10 of the Notes to the Annual Financial Statements of SinnerSchrader AG in this Annual Report provides information on the SinnerSchrader shares and derivatives based on SinnerSchrader shares held by members of the Supervisory Board and Management Board as at 31 August 2016 as well as any changes to these in the 2015/2016 financial year. As at 31 August 2016, the shares held by the Management Board comprised around 23.4 % of the shares issued by SinnerSchrader. The Supervisory Board still did not hold any SinnerSchrader shares as at 31 August 2016.

Directors' Dealings

According to Article 15a of the German Securities Trading Act, the Board members, other individuals in management positions, and persons closely connected to the Board members or individuals in management positions are obliged to disclose the purchase or sale of SinnerSchrader shares or derivatives related to these shares to SinnerSchrader AG if their equivalent value during the year exceeds a total of € 5,000. In the 2015/2016 financial year, Mr Schrader announced that a total of 12,110 shares had been sold.

Equal Participation of Women and Men in Managerial Positions

The "Act for the Equal Participation of Women and Men in Managerial Positions in the Private Sector and the Public Sector" requires that targets be set for the proportion of women on supervisory boards, management boards and the two top managerial levels below the management board. The targets for the supervisory board and the management board must be set by the supervisory board and those for the two top managerial levels by the management board. The targets had to be set by 30 September 2015 for the first time, with a period up to 30 June 2017 at the latest being allowed for the targets to be met.

In principle, the Supervisory Board and Management Board welcome the demand for diversity in the management bodies and also understand diversity to mean the differences in technical, professional and socio-cultural experience and backgrounds, beyond the scope of merely the proportion of female managers. When making decisions on filling posts, the aim of meeting an appropriate diversity is to be met alongside the aim for better qualification and personal aptitude.

Within the required period, the Supervisory Board decided on a goal of 30 % women for its own composition and the composition of the Management Board by 30 June 2017. At the time the decision was taken, the proportion for both bodies was 0 %.

In parallel, for the first management level of SinnerSchrader AG below the Management Board, where there is currently a 60 % share of female managers, the Management Board decided to maintain this proportion at not less than 30 %.

On 30 September 2015 there was a total of only 43 employees in SinnerSchrader AG, so there was only one management level below the Management Board. There was therefore no need to set a target for the second management level.

Accounting Principles

Following EU Regulation 1606/2002, the accounting of the SinnerSchrader Group has been carried out according to International Financial Reporting Standards since the 2005/2006 financial year. Prior to this, United States Generally Accepted Accounting Principles ("US-GAAP") were used. The Annual Financial Statements of SinnerSchrader AG continue to be prepared in accordance with the accounting regulations of the German Commercial Code.

The Annual and Consolidated Financial Statements were audited by an auditing firm which declared its independence to the Supervisory Board and which was chosen for this task by the Annual General Meeting on 26 January 2016.

Declaration by the Management Board and Supervisory Board of Conformity with the Recommendations of the Government Commission on the German Corporate Governance Code Required by Article 161 of the German Stock Corporation Act

The Management Board and Supervisory Board of SinnerSchrader AG declare that in the reporting period since the last compliance declaration on 10 December 2014, SinnerSchrader AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version of 5 May 2015, with the exception of the following deviations and will continue to comply with them in future with the exception of the following deviations:

Supervisory Board

Section 3.8:
D&O insurance with no excess has been taken out for the members of the Supervisory Board. The recommendations according to No. 3.8 of the German Corporate Governance Code (excess in D&O insurance also for the Supervisory Board) have not been complied with and will not be complied with because an excess is considered inappropriate in view of the low levels of Supervisory Board compensation and, in the view of the Company, is not appropriate for increasing the motivation and responsibility with which the members of the Supervisory Board perform their tasks.

Section 5.3.1 ff.:
The Supervisory Board has not formed any committees because it only comprises three members.

Hamburg, 10 December 2015
SinnerSchrader Aktiengesellschaft

For the Supervisory Board	For the Management Board
Dieter Heyde	Matthias Schrader

Report of the Supervisory Board for the 2015/2016 Financial Year

The Supervisory Board has once again intensively followed the business development of SinnerSchrader Aktiengesellschaft and its subsidiaries in the 2015/2016 financial year. In doing so, it cooperated with the Management Board openly and in a spirit of trust. At regular Supervisory Board meetings, in monthly reports, and through written, telephone, and personal exchanges, the Management Board kept the Supervisory Board informed of business developments and the current situation of the Group, its strategic development, risk management, important business incidents and investment plans. The Management Board promptly included the Supervisory Board in business transactions and decisions that were significant to the Company or the Group. Furthermore, the Supervisory Board continued its talks with key employees in the SinnerSchrader Group, in particular talks with the managements of the subsidiaries and the heads of the central divisions of the AG.

On this basis, the Supervisory Board discharged its duties as required by law and the Statutes, supervised the business conduct of the Management Board, and advised the Management Board on the management of the Company. The yardsticks for monitoring were the legality, correctness, practicality and efficiency of the Management Board's actions. In view of the continuing small number of its members, the Supervisory Board decided not to form any committees and performed all of its tasks as a whole.

The Boards

In the 2015/2016 financial year, the members of the Supervisory Board of SinnerSchrader AG still comprised Mr Dieter Heyde, Prof. Cyrus D. Khazaeli and Mr Philip W. Seitz, who had been appointed by the Annual General Meeting on 29 January 2014 for a term of office up to the end of the Annual General Meeting that decides on discharge for the financial year ending on 31 August 2018.

Mr Heyde held the position of chairman of the Supervisory Board; Mr Khazaeli was his deputy. Mr Seitz continued to act as the independent financial expert within the meaning of Article 100 para. 5 of the German Stock Corporation Act (Aktiengesetz - AktG).

In the 2015/2016 financial year, Mr Matthias Schrader, in the role of Chairman of the Management Board, and Mr Thomas Dyckhoff, in the role of CFO, were also still appointed directors. The appointment of Mr Schrader runs until 31 December 2020; the appointment of Mr Dyckhoff was extended for a further five years on 14 October 2016, to 31 December 2021.

The Management Board and Supervisory Board were discharged for the 2014/2015 financial year at the Annual General Meeting on 21 January 2016.

Supervisory Board Meetings

During the 2015/2016 financial year, the Supervisory Board met for six ordinary meetings on 30 September 2015, 13 November 2015, 21 January 2016, 25 February 2016, 12 April 2016 and 7 July 2016.

During the course of the financial year, the Supervisory Board furthermore passed resolutions in a telephone conference on 23 November 2015 and by way of circulation on 14 October 2015 and on 10 December 2015.

All of the meetings took place in the presence of the Management Board. If needed and for the talks with key employees, the Supervisory Board met without the Management Board being present before it concerned itself with the individual items on the agenda of a meeting.

In all of the ordinary meetings, the Supervisory Board considered the course of business and the situation of the Group up to or on each cut-off date, the forthcoming quarterly report where appropriate and an updated revenue and profit forecast for the whole financial year, in each case on the basis of the current status of monthly reporting. Tracking implementation of the decision to withdraw from the NEXT AUDIENCE business and opportunities to use the software developed by NEXT AUDIENCE were recurring themes.

The Supervisory Board essentially also dealt with the following topics in the individual ordinary meetings and the telephone conference:

In the ordinary meeting on 30 September 2015, the Supervisory Board concerned itself with the provisional status of the Consolidated Financial Statements for the 2014/2015 financial year and with setting priorities for the upcoming auditing of the Consolidated Financial Statements and the Annual Financial Statements of SinnerSchrader AG in the presence of the auditors appointed by the Annual General Meeting. Another major agenda item of the meeting was dealing with and adopting the plans for the SinnerSchrader Group, its segments and business units for the 2015/2016 financial year and up to two subsequent years. Furthermore, the Supervisory Board focused on the objective of an increased proportion of women in managerial positions at SinnerSchrader AG laid down by the Act for the Equal Participation of Women and Men in Managerial Positions in the Private Sector and the Public Sector, and adopted appropriate objectives.

On 14 October 2015, the Supervisory Board decided by way of circulation to resume the share buy-back programme.

In the ordinary meeting on 13 November 2015, the Supervisory Board, in the presence of the auditors, discussed in detail the results of the Consolidated Financial Statements and the Annual Financial Statements and the combined Status Report and Consolidated Status Report of SinnerSchrader Aktiengesellschaft for the 2014/2015 financial year. In this connection, the Supervisory Board also dealt with the internal control system of SinnerSchrader Aktiengesellschaft. Furthermore, the Supervisory Board, in talks with the auditors, discussed the possible impact of the EU Regulation governing audits, including any extensions to the audit certificate that may be anticipated in the future. Furthermore, the Supervisory Board discussed the issue of Management Board compensation; in particular, achieving the goals for the 2014/2015 financial year was confirmed.

Following intensive debates about the audit reports, during a teleconference in the presence of the auditors, on 23 November 2015 the Supervisory Board conclusively discussed the Consolidated Financial Statements, the Annual Financial Statements and the combined Status Report and Consolidated Status Report of SinnerSchrader Aktiengesellschaft and the audit reports based on them. On the basis of this discussion, the Supervisory Board approved the Consolidated Financial Statements, the Annual Report and the combined Status Report and approved the Management Board's proposal to submit a resolution for payment of a dividend of € 0.12 per share to the Annual General Meeting. Finally, the Supervisory Board agreed to increase the volume of the share buy-back programme.

The agenda for the Annual General Meeting on 21 January 2016 and the Declaration of Conformity in respect of the German Corporate Governance Codex were adopted by the Supervisory Board on 10 December 2015 by way of circulation.

In addition to the development of business, the ordinary meeting held on 21 January 2016 dealt only with the issue of Management Board compensation, including the setting of targets for the short-term variable Management Board compensation.

In the ordinary meeting on 25 February 2016, in addition to the recurring topics, a key agenda item was the M&A strategy of the SinnerSchrader Group.

The discussion of the M&A strategy was continued at the ordinary meeting on 12 April 2016. This meeting also dealt with the results of the first half of the 2015/2016 financial year and the report on the second quarter of 2015/2016.

Finally, the report on the third quarter of 2015/2016 and the result of the first nine months of the 2015/2016 financial year were discussed in the ordinary Supervisory Board meeting on 7 July 2016. Other items on the agenda included the further development of the control system of the SinnerSchrader Group, the development of the competitive landscape and the extension of the appointment of Mr Dyckhoff to the Management Board.

Corporate Governance

Dealing with Corporate Governance, especially with the German Corporate Governance Code in the currently valid version, is a permanent part of the work of the Management Board and the Supervisory Board. The Company makes every effort to ensure that it meets the requirements of good corporate governance as laid down in the Code as far as possible and that it implements the required measures to do so.

On 10 December 2015, the Supervisory Board and the Management Board submitted the Declaration of Conformity with the German Corporate Governance Code, in its version of 5 May 2015, which is required by Article 161 of the German Stock Corporation Act and which documents general compliance with the courses of action recommended by the Code. The Declaration is always accessible on the Company's website www.sinnerschrader.ag under "Governance". Furthermore, it is printed in the Corporate Governance Report in the Company's Annual Report.

Consolidated Accounts and Annual Report

The accounts and the Annual Financial Statements of SinnerSchrader Aktiengesellschaft as well as the Consolidated Financial Statements including the Joint Status Report of the Group and of SinnerSchrader AG for the 2015/2016 financial year as of 31 August 2016, drawn up pursuant to Article 315a para. 1 of the German Commercial Code ("Handelsgesetzbuch") according to the international accounting standards ("IFRS"), were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, Germany, at the request of the Supervisory Board and have been given an unqualified audit opinion. Ebner Stolz GmbH & Co. KG was appointed auditor for the Annual and Consolidated Financial Statements by the Annual General Meeting on 21 January 2016 upon the proposal of the Supervisory Board. The Supervisory Board has not identified any circumstances to doubt the impartiality of Ebner Stolz GmbH & Co. KG. Ebner Stolz GmbH & Co. KG had itself submitted a declaration of independence about the proposal to the Annual General Meeting prior to the Supervisory Board's decision.

After preliminary discussion between the auditors and the Supervisory Board in the presence of the Management Board upon commencement of the audit and as part of an ordinary Supervisory Board meeting on 14 October 2016, the auditors presented the main points and results of the audit of the Annual Report, the Consolidated Financial Statements and the combined Status Report and Consolidated Status Report, including the audit of the internal control and risk management system to the Supervisory Board at its meeting on 16 November 2016; they also handed over the audit reports and unqualified audit certificates and discussed them in detail. On 20 November 2016, the Supervisory Board came together with the auditors and the Management Board for a telephone conference. After the Supervisory Board's remaining questions on the results and the audit reports had been answered to its satisfaction in this conference, it endorsed the results presented by the auditor and approved the Consolidated Financial Statements and the Annual Financial Statements. The Annual Report is thus established.

Furthermore, the Supervisory Board decided on 20 November 2016 that at the Annual General Meeting on 26 January 2017 it would suggest the payment of a dividend of € 0.20 per share from the balance sheet profit of SinnerSchrader Aktiengesellschaft, as proposed by the Management Board.

Business Development

After a difficult previous year, at the end of which SinnerSchrader had decided to withdraw from the NEXT AUDIENCE business in view of the absence of success on the market, SinnerSchrader proved the growth potential and earning power contained in its core business. The revenue and, especially the results, reached new record levels in the 20-year history of the Company.

The expectation that digital transformation would drive on SinnerSchrader's development proved to be true. Competition with the big consultancies and IT integrators for the much bigger digital budgets increased markedly once again in the last financial year. These companies are now fully turning to digitisation for their own development, but SinnerSchrader succeeded in holding its own in this competition. A clear indication of this is the fact that Audi decided on SinnerSchrader as its worldwide lead digital agency in the summer of 2016.

This and other new client acquisitions from the 2015/2016 financial year provide a sound foundation for the further expansion of business, by means of which the operative result and the net income should be increased further. Whether the operating margin will also improve in the process ultimately depends on the extent to which SinnerSchrader can attract and develop new talent in a noticeably tighter labour market.

The results of the year of the report and the positive outlook for development in the current 2016/2017 financial year mean that the dividend can be raised considerably: the Supervisory Board and the Management Board will propose a dividend of € 0.20 per share to the ordinary Annual General Meeting scheduled for 26 January 2017.

Thanks

The Supervisory Board thanks the Management Board and all the employees in the SinnerSchrader Group for their commitment in performing their work most successfully in the 2015/2016 financial year. It is and will remain the key foundation of the development of SinnerSchrader in the new 2016/2017 financial year and beyond.

Hamburg, 21 November 2016

Dieter Heyde

Chairman of the Supervisory Board

01

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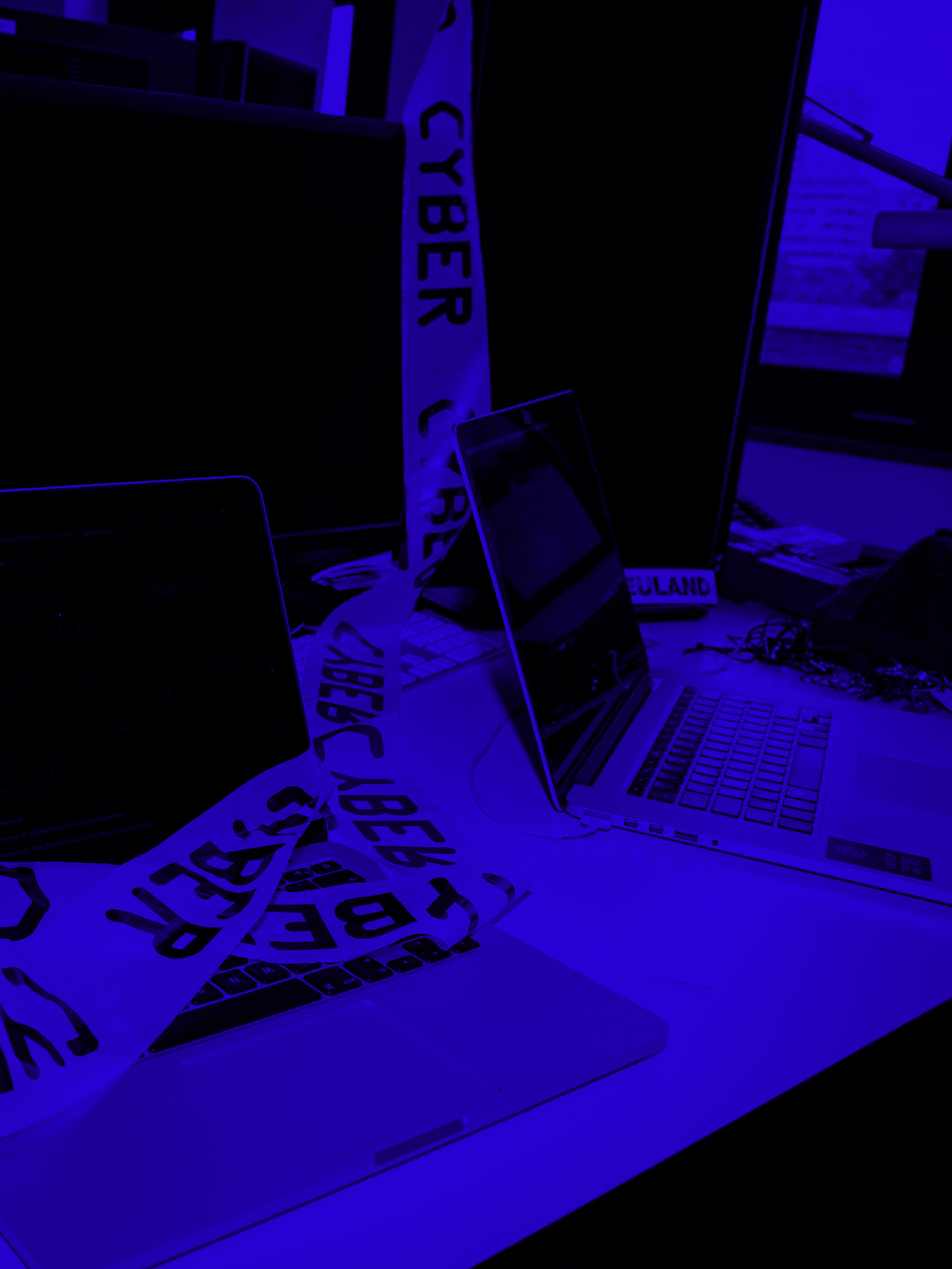
CYBER
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Joint Status Report

1 General

The following Status Report is the joint Consolidated Status Report and Group Status Report of SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG" or "AG") for the 2015/2016 financial year, which covered the period from 1 September 2015 to 31 August 2016. In particular, it shows the development of the income, financial, and asset status of the SinnerSchrader Group ("SinnerSchrader" or "Group") and the AG in the 2014/2015 financial year and addresses the probable future development of business and the key risks and opportunities. Unless explicit reference is made to the AG, the statements refer to the Group.

The Consolidated Financial Statements for 2015/2016 were drawn up according to International Financial Reporting Standards ("IFRS") as they are to be applied in the EU and the additional regulations under commercial law pertaining to Article 315a para. 1 of the German Civil Code ("HGB").The Annual Financial Statements of SinnerSchrader AG for 2015/2016 follow German accounting regulations.

The Status Report and the Group Status Report, particularly Section 8, contain statements and information aimed at the future. These can be recognised by the use of words such as "expect", "anticipate", "forecast", "intend", "plan", "strive", "estimate", "become", or "should". Such forward-looking statements are based on current knowledge, estimates, and assumptions. They therefore entail a number of risks and uncertainties. A variety of factors, many of which are outside SinnerSchrader's sphere of influence, have an impact on business development and its results. These factors mean that the actual future business development of SinnerSchrader and the actual results achieved may differ significantly from the explicit or implicit information in the forward-looking statements.

2 Group Business and Structure

2.1 Business Activities

With more than 500 employees as at 31 August 2016, the SinnerSchrader Group, managed by SinnerSchrader AG, is one of the biggest independent digital agency groups in Germany. The Group offers companies in Germany and abroad a comprehensive portfolio of services for the use of digital technologies to further develop and optimise their business. The emphasis is on the use of the internet for the sale of goods and services (e-commerce), for marketing and communication, and for the acquisition and retention of customers.

SinnerSchrader's range of services mainly comprises

1. advice about and development of strategies for the use of digital technology for marketing, sales and communication as well as the establishment of digital business models,
2. the customised conception, design and technical development of websites, internet applications and mobile apps,
3. content-related and technical maintenance, performance measurement and optimisation as well as technical operations, including the provision of the technical infrastructure of websites and internet applications,
4. the development, implementation and execution of digital marketing and communication measures,
5. advice on digital media strategies and digital media technologies and tools,
6. the planning and drafting of concepts for marketing strategies on the internet based on editorial content, and their implementation in daily editing operations (content marketing),
7. the assumption of overall responsibility for setting up and managing sales channels on the internet, including logistics, payment processing and shop management (e-commerce outsourcing).

In the 2015/2016 financial year, the service portfolio was smaller than in the previous year. This is a result of the decision taken at the end of June 2015 to withdraw from the business brought together in NEXT AUDIENCE GmbH as an online media agency and provider of an adserving and data management platform (DMP) developed in-house. As planned, the NEXT AUDIENCE business came to an end at the end of the 2015 calendar year. However, on the basis of the NEXT AUDIENCE software and the expertise gained in developing and marketing it, at the start of the new 2016/2017 financial year SinnerSchrader concluded a cooperation agreement with SAP AG on digital media strategies and digital media technologies and tools.

As in previous years, the business of the SinnerSchrader Group was broken down into the Interactive Marketing, Interactive Media and Interactive Commerce segments. In this respect, the Interactive Marketing segment covers the range of services numbered 1 to 4 with a focus on corporate clients in all the sectors. The services of numbers 5 and 6 and the online media, adserver and DMP business that has been phased out are brought together in the Interactive Media segment. And in conclusion, similar to the Interactive Marketing segment, the Interactive Commerce segment offers services numbered 1, 2 and 4; however, these services focus on e-commerce projects and SME clients. At the same time, the segment also assumes responsibility for the management of the digital sales channels as an outsourcing partner, as described in number 7.

SinnerSchrader primarily works for large and medium-sized middle-market companies based in Germany, but in the 2015/2016 year of the report, the Company also worked for clients based in Switzerland, the UK, the Netherlands, Austria and Luxembourg. SinnerSchrader still rendered its services from offices in Hamburg, Frankfurt am Main, Berlin, Hanover, Munich and Prague. Its headquarters are in Hamburg, where SinnerSchrader was founded in 1996 as Sinner+Schrader GbR.

SinnerSchrader aims for long-term client relationships. The Company has been working for several major clients for more than ten years. The majority of the clients can be assigned to the Retail & Consumer Goods, Financial Services, Telecommunications & Technology and Transport & Tourism sectors.

2.2 Group Structure and Management

SinnerSchrader operates its business from various operating companies, which are headed by SinnerSchrader AG as the parent company of the Group.

There were no changes in the group of operating companies in the 2015/2016 financial year in comparison to the balance sheet reporting date of the previous year. At the end of the year of the report, only the decisions regarding the renaming of SinnerSchrader Mobile GmbH to SinnerSchrader Swipe GmbH, Swipe GmbH to SinnerSchrader Swipe Hamburg GmbH and Commerce Plus GmbH to SinnerSchrader Commerce GmbH had been taken, all of which were entered in the Commercial Register at the beginning of September 2016.

The following companies were thus included in the SinnerSchrader Group in the year of the report:

- SinnerSchrader Deutschland GmbH, based in Hamburg, Germany, and with offices in Frankfurt am Main, Germany, and Munich, Germany,
- SinnerSchrader Praha s.r.o., based in Prague, Czech Republic,
- SinnerSchrader Benelux B.V., based in Rotterdam, Netherlands,
- SinnerSchrader UK Ltd., based in London, UK,
- SinnerSchrader Swipe GmbH, based in Berlin, with its subsidiary SinnerSchrader Swipe Hamburg GmbH, based in Hamburg,
- NEXT AUDIENCE GmbH and its subsidiary SinnerSchrader Content GmbH, based in Hamburg, Germany,
- SinnerSchrader Commerce GmbH and its subsidiary Commerce Plus Consulting GmbH, based in Hamburg, Germany, and with an office in Hanover, Germany.

Two companies abroad, SinnerSchrader UK Ltd. and SinnerSchrader Benelux B.V., remained inoperative in the year of the report.

SinnerSchrader Deutschland GmbH and its predecessors have been part of the agency group since it was founded in 1996. It is the biggest subsidiary and under the "SinnerSchrader" brand it renders the full range of services of the Group, mainly for companies with annual budgets of more than €1 million, with the exception of online media consultancy and content marketing business, e-commerce outsourcing and the development of native mobile apps.

SinnerSchrader Deutschland GmbH works from offices in Hamburg, Frankfurt am Main and Munich. SinnerSchrader Deutschland GmbH and SinnerSchrader Praha s.r.o. comprise the Interactive Marketing segment together with the SinnerSchrader Swipe Group, based in Berlin – as well as in Hamburg since the takeover of Swipe GmbH – focusing on apps for mobile terminal equipment such as smartphones and tablets, and now also on smart watches and a wide variety of embedded devices.

SinnerSchrader Praha s.r.o. primarily works as a subcontractor for the other companies affiliated with the SinnerSchrader Group, but to a small extent also directly supports companies outside the Czech Republic with digital projects.

SinnerSchrader Commerce, which resulted when the spot-media Group and next commerce GmbH merged in the 2012/2013 financial year, offers the full range of services, from consulting to the drafting of concepts and their development through to the operation of digital sales channels and their integration in a comprehensive multi-channel sales system. SinnerSchrader Commerce renders its services either within the framework of service and work contracts or on the basis of e-commerce operator models. In the case of the latter, SinnerSchrader Commerce takes responsibility for the development, management and operation of the online sales channel for companies on the basis of contracts lasting several years in return for revenue-related and/or other performance-based remuneration. SinnerSchrader Commerce focuses on PHP-based technologies, without being restricted to them. The SinnerSchrader Commerce Group constitutes the Interactive Commerce segment.

NEXT AUDIENCE GmbH and SinnerSchrader Content GmbH form the Interactive Media segment.

After discontinuing the original business model as an online media agency and provider of adserver and DMP technology developed in-house at the end of the 2015 calendar year, NEXT AUDIENCE GmbH laid the first foundations for a consulting business on digital media strategies and media technologies and tools.

SinnerSchrader Content GmbH develops and operates content-based marketing strategies for companies. As part of these strategies and with the help of editorial contents, extending far beyond the scope of brand and advertising messages, a readership/viewership/audience – i.e. coverage – is being established which companies can access specifically with offers and advertising messages.

As the Group's managing holding company, SinnerSchrader AG is responsible for the strategic control and further development of the Group, marketing across the Group – including organising the annual NEXT conference – financing the operative business, administrating the liquidity reserves and communication with the capital market. Furthermore, SinnerSchrader AG centrally provides the subsidiaries with infrastructure and administrative services.

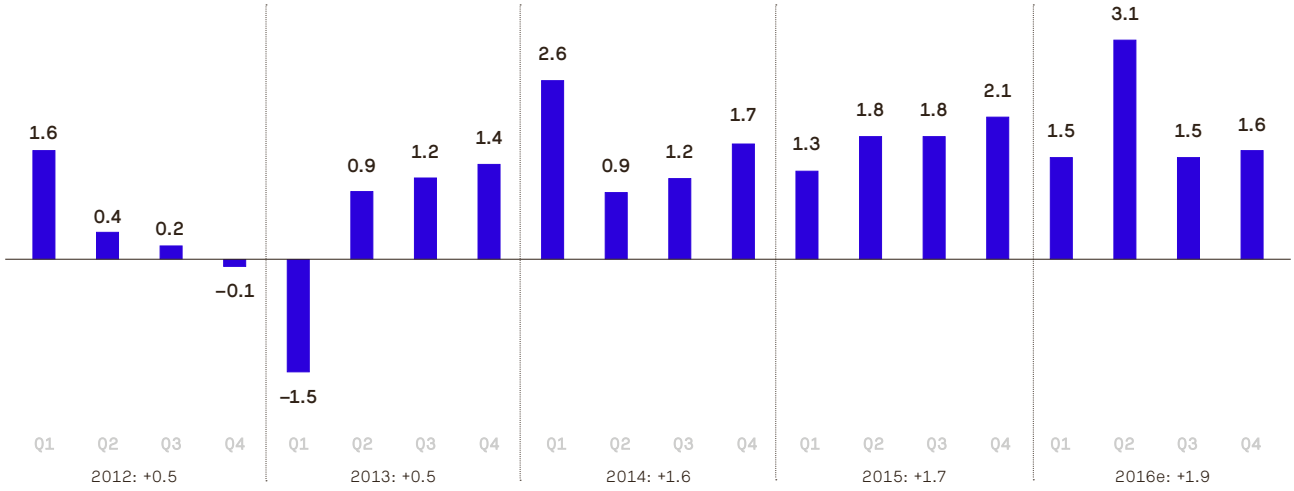
The segments and operating units are managed by SinnerSchrader AG mainly on the basis of financial performance indicators for revenue, earnings before interest, taxes and amortisation (EBITA) and the EBITA margin calculated on the basis of these indicators.

Over and above this, non-financial performance indicators for controlling the units are also used. The performance indicators relating to productive capacities are particularly important. This primarily concerns the average available personnel capacity relating to a reference period (financial year, quarter, month) and measured in terms of the number of full-time employees. Furthermore, it covers the rate of freelancers calculated on the basis of the costs incurred for the utilisation of freelancers and the revenue achieved in the same period.

The following graphs and tables are not components of the audited Status Report.

Development of Gross Domestic Product

by quarter and year, change to same quarter of previous year and to previous year in %



Q = Quarter
Source: German Federal Statistical Office; previous year's figures adjusted on the basis of 2015 national account general audit, Q4e and 2015e based on Joint Economic Forecast Autumn 2016

3 Market and Competitive Environment

In contrast to the 2014/2015 financial year, the 2015/2016 financial year proceeded in a stable, positive general economic environment.

The start of the previous year fell in a time of economic uncertainty, which expressed itself in October 2014 with a score of 103.6 points in the ifo business climate index – the lowest index value in the 2014 calendar year – and considerable lowering of the economic expectations for 2015 to values close to the 1 per cent threshold. By contrast, the autumn of 2015 was characterised by economic confidence. In November 2015, at 109.0 points, the ifo business climate index reached its highest point of 2015. Expectations for growth of the real gross domestic product in 2016 were around the forecast values of 1.8 % from the joint diagnosis of autumn 2015 made by leading German economic research institutes.

The good overall mood of the German economy in the last calendar quarter of 2015 was definitely in contrast to the many economic risks, not least the unresolved conflicts in the Middle East and the resulting refugee crisis as well as the weak economic development in major newly industrialising countries, such as Brazil and especially also China. Political upheavals within the European Union concerning the refugee policy and uncertainty in view of the ever-closer decision of the British people on whether the UK would remain in the community of states as well as the tense relationship with Russia put a strain on the international political and economic environment in which the German economy had to hold its ground in the first few months of 2016.

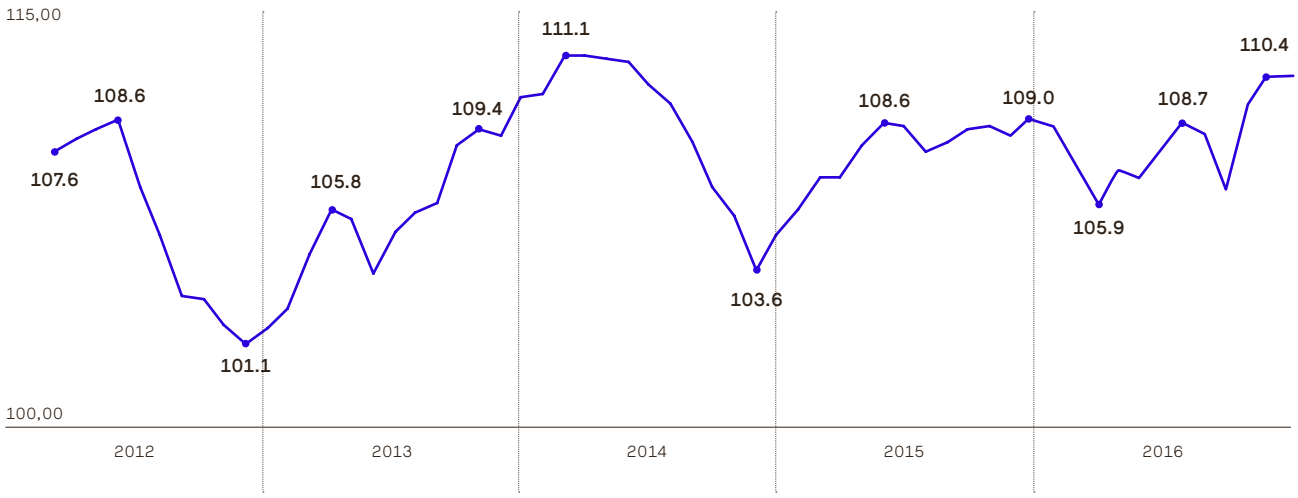
The abundance of risks meant that the mood in the German economy in the first few months of 2016 temporarily became noticeably more sceptical. Due to clearly falling values in business expectations, the ifo business climate index fell to a level of 105.9 points in February 2016.

However, the Federal Statistical Office data on economic development in the first quarter of 2016, which were published in May 2016, showed that the German economy defied the adversities. In the assessment of the Federal Statistical Office, it had started the new year powerfully. In comparison to the last quarter of 2015, economic output rose by 0.7 %, adjusted by price, calendar and seasonal effects. The real gross domestic product in the first calendar quarter was thus 1.5 % above the value of the previous year.

To match this, the business climate brightened very quickly again after the February low, and the index reached a score of 108.7 points in June 2016. However, the surprising decision of the British people at the end

Development of the ifo Business Climate Index

Index values in points



Source: ifo institute

of June for the UK to leave the European Union sent the climate index back down for two months. By September 2016, however, the companies surveyed were already more confident than they had been for two and a half years, with an index of 109.5 points.

In the interim, the Federal Statistical Office had published the economic data for the second calendar quarter in mid-August. According to the data, the gross domestic product had grown again from April to June 2016 to a price-adjusted 3.1% above the comparable value of the previous year. Conflated for the first half of the calendar year, the growth rate was 2.3%.

The good economic development in the first half of the calendar year and the good mood in companies caused the economic research institutes to raise the growth expectations for the 2016 price-adjusted gross domestic product to 1.9% in the autumn 2016 joint diagnosis published at the end of September 2016.

It is not just the general economic situation in Germany that is developing positively, so is the sector in which SinnerSchrader is active. For example, in its 2016 agency ranking in April 2016 the Federal Association of the Digital Economy (BVDW) reported that the revenue volume of internet agencies active in Germany had risen by 18% on the basis of figures for the 2015 calendar year. Growth in the digital sector is still dynamic and unabated.

In December 2015 the industry association Bitkom presented a survey among more than 500 German companies on the subject of digitisation. According to this study, 55% of the companies surveyed stated that digitisation will change their business model, 48% believed that the competitive landscape in their industry will change as a result of digitisation; well over 50% of the companies sooner see themselves as latecomers with regard to digitisation.

This is only one of many surveys to underline that the pressure for change brought about by digitisation is very high in practically every company. This pressure results in a willingness to make considerable investments in digital transformation. On the one hand, the focus is on the digitisation of existing business processes. On the other, it is about developing new digital services and products to secure competitiveness. The need for digital services is therefore enormous.

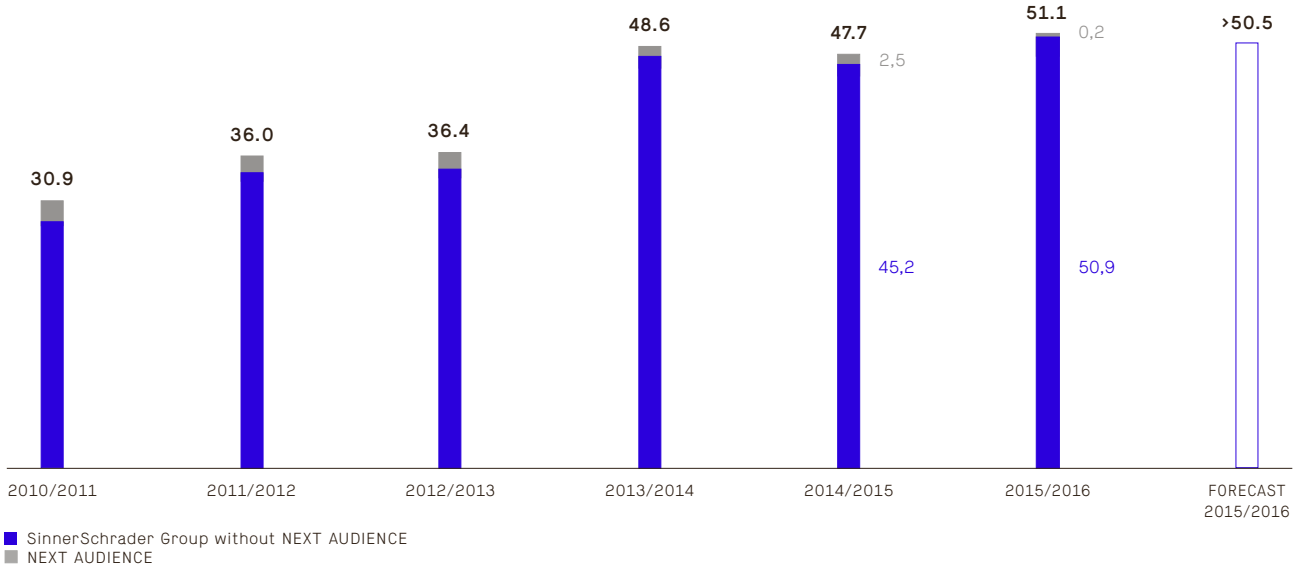
The budgets that companies invest in digital transformation have increased significantly. However, this means that the competitive landscape within which SinnerSchrader is active has changed even more.

Above all, the big IT integrators are crowding onto the market and taking advantage of their access to the IT decision-makers in the companies. In turn, the companies hope that digitisation will enable them to make up the ground they have lost over the last fifteen years, with the IT integrators often buying in creative and digital expertise by taking over digital agencies. For example, on the German market in February 2016 IBM bought the digital agencies aperto and ecx.io based in Berlin and Düsseldorf, respectively. In June 2016 on the German market, Accenture took over the digital strategy consultancy dgroup in Hamburg and drew attention to itself with further acquisitions in the digital sectors in the Netherlands, Spain and France between July and September 2016.

Another trend can be seen alongside these new, powerful service providers: large companies in particular are building up their own expertise in “digital factories” or “in-house agencies” because of the strategic importance of digitisation. This is also changing the competitive landscape in which SinnerSchrader is active.

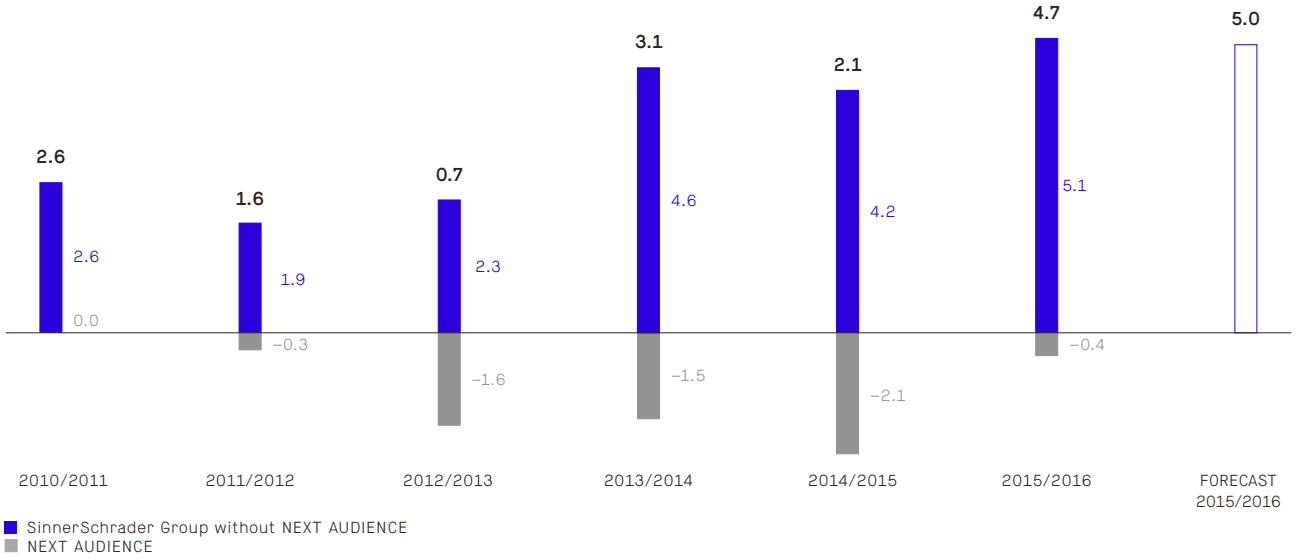
Development of net revenues

in € million for the 2010/2011 to 2015/2016 financial years



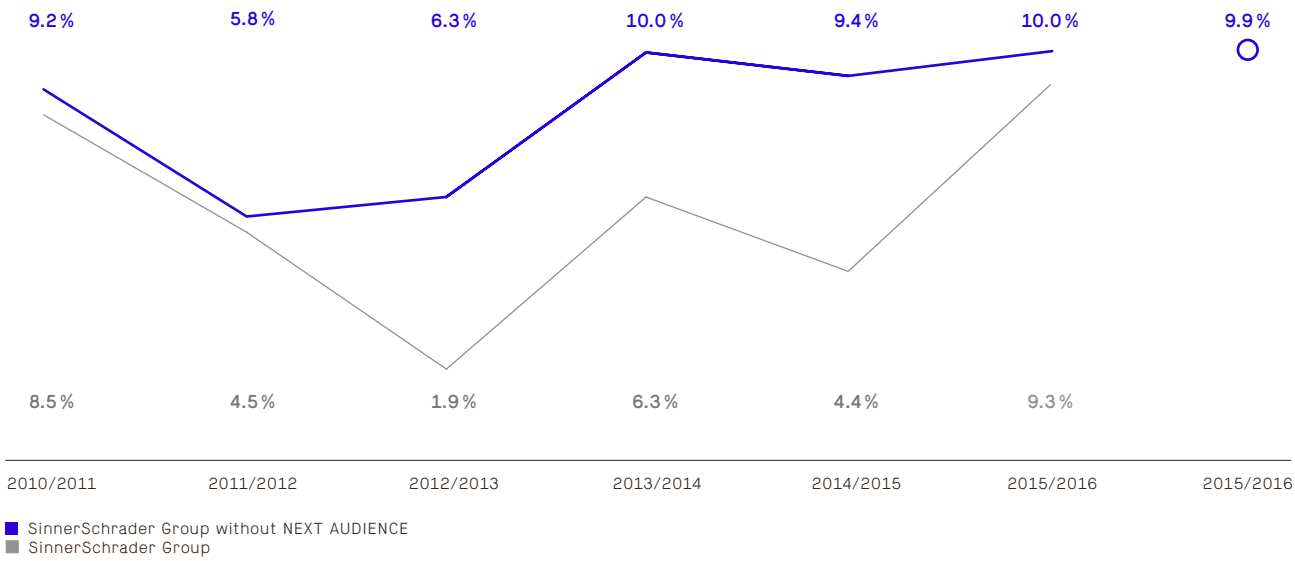
EBITA development

in € million for the 2010/2011 to 2015/2016 financial years



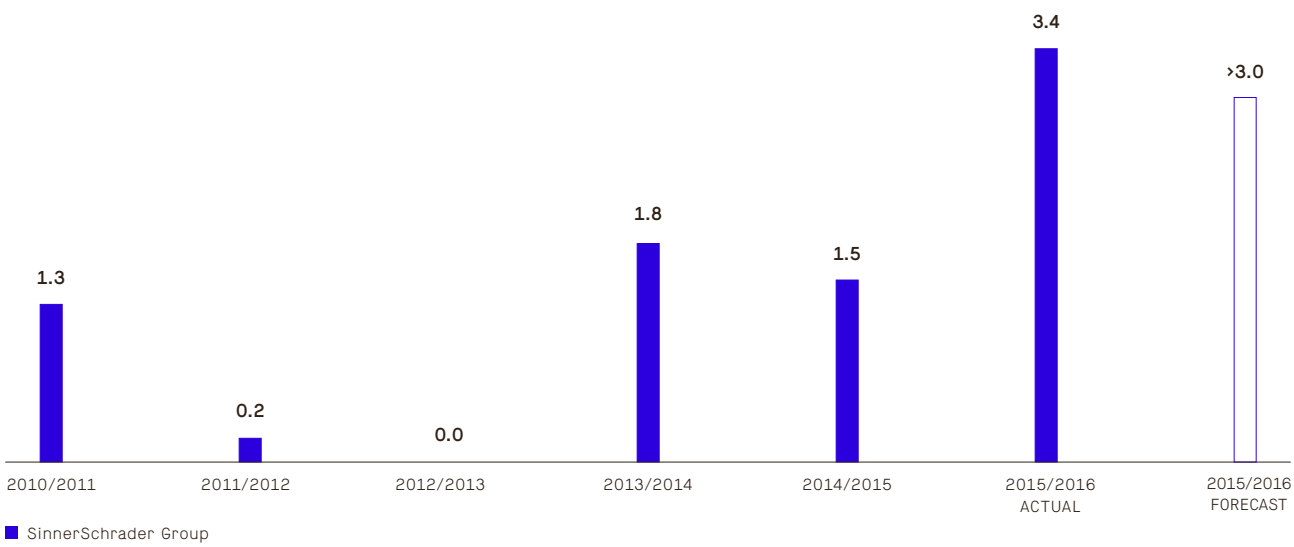
Development of the EBITA margin

in % for the 2010/2011 to 2015/2016 financial years



Development of net income

in € million for the 2010/2011 to 2015/2016 financial years



4 Business Development and Group Situation

Summary of General Statements

The SinnerSchrader Group developed well in the 2015/2016 year of the report. SinnerSchrader achieved its goals for the top and the bottom line – revenue of around € 50.5 million and a net income of more than € 3 million – and actually slightly exceeded them with values of € 51.4 million and € 3.4 million, respectively. The original target for the operating result (EBITA) of € 5.0 million was just missed, with a good € 4.7 million being earned.

In comparison to the previous year, SinnerSchrader expanded its business volume by a total of € 3.4 million, or 7.2 %. The decision taken in June 2015 to withdraw from NEXT AUDIENCE business resulted in a revenue loss of just under € 2.3 million in comparison to the previous financial year. The continued business divisions thus achieved revenue growth of € 5.7 million, which corresponds to a growth rate of 12.6 %.

Around € 3.3 million of the revenue growth was earned with clients that SinnerSchrader had acquired over the course of the year of the report. The new clients include the car manufacturer Audi, for whom SinnerSchrader took part in an international pitch and won through to become the worldwide lead digital agency. With this success SinnerSchrader was able to demonstrate its excellent position on the German market. The cooperation, which is initially set for three years, started in July 2016. It will therefore only develop its full potential in the 2016/2017 financial year.

In the year of the report, SinnerSchrader increasingly worked across the segments from more than one business unit for its clients. In this connection, the importance of SinnerSchrader Praha s.r.o. as a nearshoring location within the SinnerSchrader Group grew markedly. The operating result (EBITA) improved in the 2015/2016 financial year to more than twice the previous year's value of € 2.1 million. The giving up of the NEXT AUDIENCE business made a major contribution to the rise in profits. Adjusted by the relief resulting from the withdrawal decision, the rise in the EBITA was 20.3 % over that of the previous year. The operating margin in the continued divisions improved by 10.0 %.

The three segments contributed positively to the development of the operating result. Among the continued business divisions, the Interactive Commerce segment improved most over the previous year in percentage terms with growth of more than 120 %.

The EBITA rise was fully reflected in the net income that was also more than double in comparison to the previous year's value of € 1.5 million. Earnings per share were € 0.29 on a diluted basis, following € 0.13 in the previous year.

The good business development in the year of the report is also underlined by a strong operative cash flow. Overall, there were inflows of a good € 3.5 million in funds from operating business. After deductions of the funds used for investments, the dividend payment and the share buy-back programme, € 0.5 million remain.

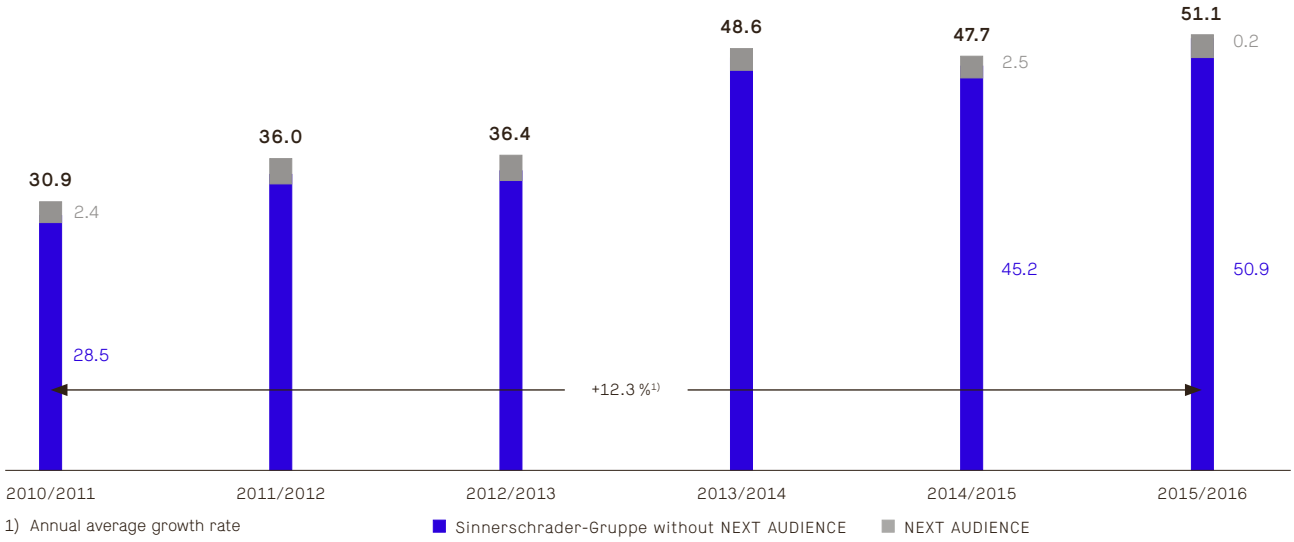
The liquidity reserve increased by this amount to € 6.1 million as at the balance sheet date, 31 August 2016. Overall, the balance sheet ratios improved to an equity rate of 60.0 %.

On average, SinnerSchrader had 446 full-time employees in the 2015/2016 financial year, 32 full-time employees fewer than in the previous year because of the NEXT AUDIENCE withdrawal. In contrast to the average across the year, the number of employees as at 31 August 2016 was 505 employees, almost the same level as the previous year, since the increase in employees in the continued business divisions over the course of the financial year compensated for the dismissal of the NEXT AUDIENCE workforce.

The following describes in more detail the business development of the SinnerSchrader Group and its segments in the 2015/2016 year of the report, and the situation as at 31 August 2016 in comparison to the previous year and the Group's own forecasts.

Development of net revenues

in € million for the 2010/2011 to 2015/2016 financial years



4.1 Revenues

In the 2015/2016 financial year, SinnerSchrader achieved sales revenue of just under € 51.1 million, around € 0.6 million more than forecast in November 2015 and € 3.4 million more than in the preceding 2014/2015 financial year.

When the NEXT AUDIENCE business unit, which ceased activity as at 31 December 2015 following a decision to this effect at the end of June 2015, is not considered, there was revenue growth of € 5.7 million for the continued business units. The growth rate in comparison to the previous year was 12.6 % and was thus slightly above the average annual growth of the past five years.

For the Group as a whole, i.e. including the revenue reduction due to the withdrawal from the NEXT AUDIENCE business, growth in the 2015/2016 year of the report was 7.2 %. The average growth rate of the past five financial years was 10.6 %.

Due to the stable economic environment and the impetus from the acquisition of new clients in the second half of the preceding financial year and due to the fact that every one of the SinnerSchrader financial quarters had one more working day than in the previous year because of the timing of public holidays, revenue from the continued business units exceeded the previous year's values in every quarter of the year of the report.

Following a rise of 8.1 % in the first quarter of 2015/2016, the growth rates for the second and third quarter leaped up to 20.9 % and 24.5 %, respectively. In the previous year, the two comparable quarters were low in view of a more uncertain overall economic mood as 2014 was coming to an end and of several price-related pitch losses.

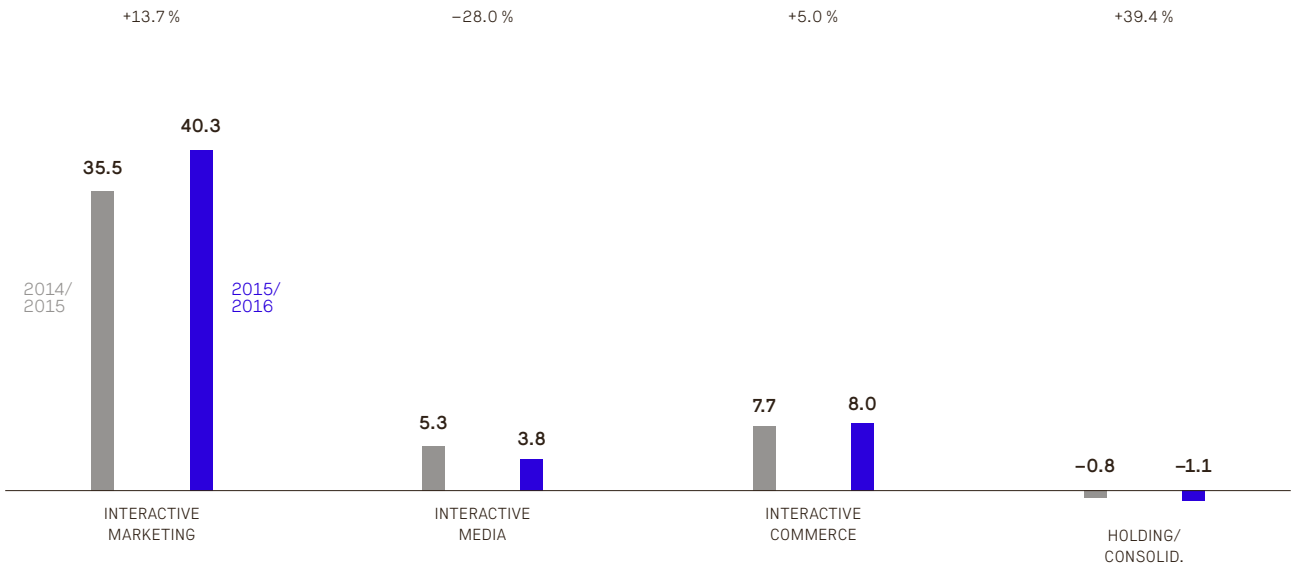
In the fourth quarter of 2015/2016, revenue in the continued business units only just exceeded the previous year's value by 0.4 %. In the previous year, the return of a positive economic mood in the German economy at the beginning of 2015 resulted in renewed rising expenditure and propensity to invest among companies in the last quarter of 2014/2015, and thus strong business with new clients and catch-up effects in some major client relationships for SinnerSchrader.

In the fourth quarter of 2015/2016, by contrast, there was no additional growth stimulus. The main reason for this was that SinnerSchrader concentrated on acquiring the worldwide Audi digital budget in business with new clients. Unexpectedly, the pitch process dragged on until well into the fourth quarter. Although SinnerSchrader won through in the international decision-making process, hardly any revenue was earned in the year of the report for the cooperation initially set up for three years.

In the **Interactive Marketing segment**, SinnerSchrader achieved revenue of € 40.3 million and increased the

Net revenues by segment

in € million for the 2015/2016 and 2014/2015 financial years



previous year's value by 13.7 %. The forecast, which had assumed growth for the segment of just under 13 % on revenue in the region of € 40 million, was thus slightly exceeded.

Business in the SinnerSchrader agency was better than expected, with revenue growth of around € 3.7 million. Existing clients accounted for the greatest share of the growth with an increase of € 2.0 million. Those clients that SinnerSchrader had acquired in the course of the second half of 2014/2015 and with whom business developed well in the year of the report were responsible for this. The agency earned revenue of € 1.7 million with clients newly acquired in the 2015/2016 financial year, including Leica, Audi and Hamburger Sparkasse (Haspa) [Hamburg Savings Bank].

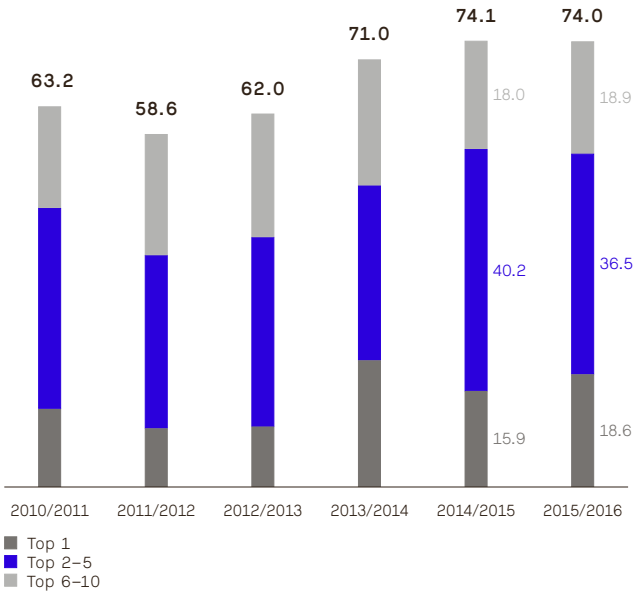
The business of the SinnerSchrader subsidiary in Prague also developed ahead of the plans; more tasks from other SinnerSchrader units were outsourced here than had been assumed in the forecast. In this connection, SinnerSchrader Praha mainly further developed its cooperation with SinnerSchrader Commerce (formerly Commerce Plus) and in particular built up the new client HSE24 with this business unit. In the year of the report, SinnerSchrader Praha earned revenue of around € 1.0 million.

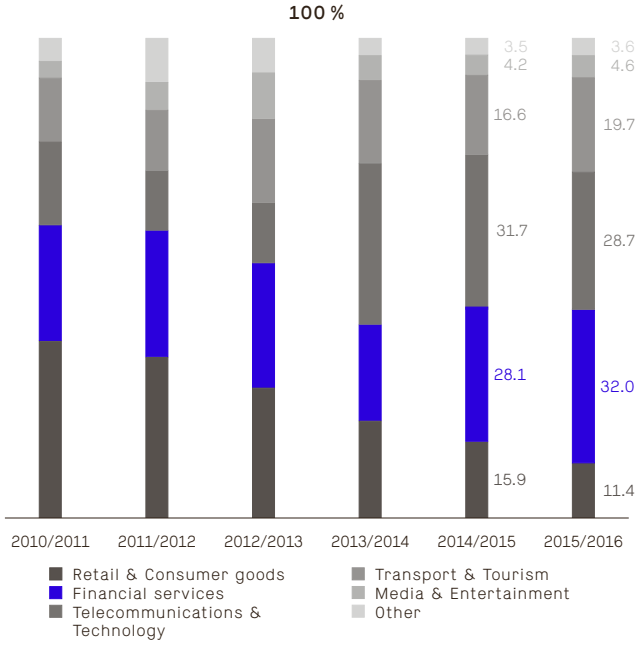
By contrast, SinnerSchrader Swipe (formerly SinnerSchrader Mobile) was not able to achieve the ambitious growth objectives after taking over Swipe GmbH in July 2015. Nevertheless, the business volume rose noticeably by 25 % or around € 0.55 million. After a cautious first half of the 2015/2016 financial year that was characterised by the merger of the two companies, business gained momentum in the second half, mainly due to newly acquired clients, such as Europapark [a theme park] and Hamburger Hochbahn [Hamburg's public transport network]. In parallel, cross-selling business underwent a more dynamic development, with the result that in the last quarter of the financial year SinnerSchrader Swipe came very close to the business volume that had originally been targeted.

The development of business volume in the **Interactive Media segment** was characterised by the withdrawal from NEXT AUDIENCE business in the year of the report. In June 2015, SinnerSchrader decided to withdraw from the business segment due to a lack of prospects for profit. The business was wound down as at 31 December 2015 as planned. As a result, the segment lost business of € 2.3 million in the year of the report. This overshadowed the opposite development in content marketing business. In the year of the report, the revenue of SinnerSchrader Content was a good € 0.7 million or 27 % above that of the previous year. A main driver for the rise was the expansion of business with existing clients. This means that the Content Marketing unit of the SinnerSchrader Group surpassed its revenue goal, with the result that the entire

Development of the revenue structure according to client size and sector

in % for the 2010/2011 to 2015/2016 financial years





segment performed slightly better than originally forecast, with revenue of € 3.8 million.

The **Interactive Commerce segment** also exceeded the plans. In the end for the year of the report, revenue in the amount of € 8.0 million was reported, which corresponds to an increase of 5 %, both in comparison to the plans and the previous year. With a rate of 10 %, revenue earned with client relationships newly established in the financial year enabled this increase, especially the business relationship with the home shopping provider HSE24.

The revenue growth of € 5.7 million in the continued business units in the 2015/2016 financial year was spread at € 3.2 million with client relationships newly acquired over the course of the financial year and € 2.5 million with client relationships that already existed at the start of the year of the report. The new client rate was 6.4 % and was thus 1.6 percentage points above the previous year's comparable rate, but 5.0 percentage points below the value in the 2013/2014 financial year. In total, SinnerSchrader identified 15 clients as new clients.

In the relationships with existing clients, particular dynamism came from clients that had been acquired in the half year prior to the start of the year of the report, in other words in the second half of 2014/2015. In comparison to the previous year, there was a fall on the balance sheet in business with clients that SinnerSchrader has supported for a long time. The developments in each individual case differed greatly – for example, SinnerSchrader was actually able to further expand business with the two client relationships with which it had earned the most revenue in the previous year.

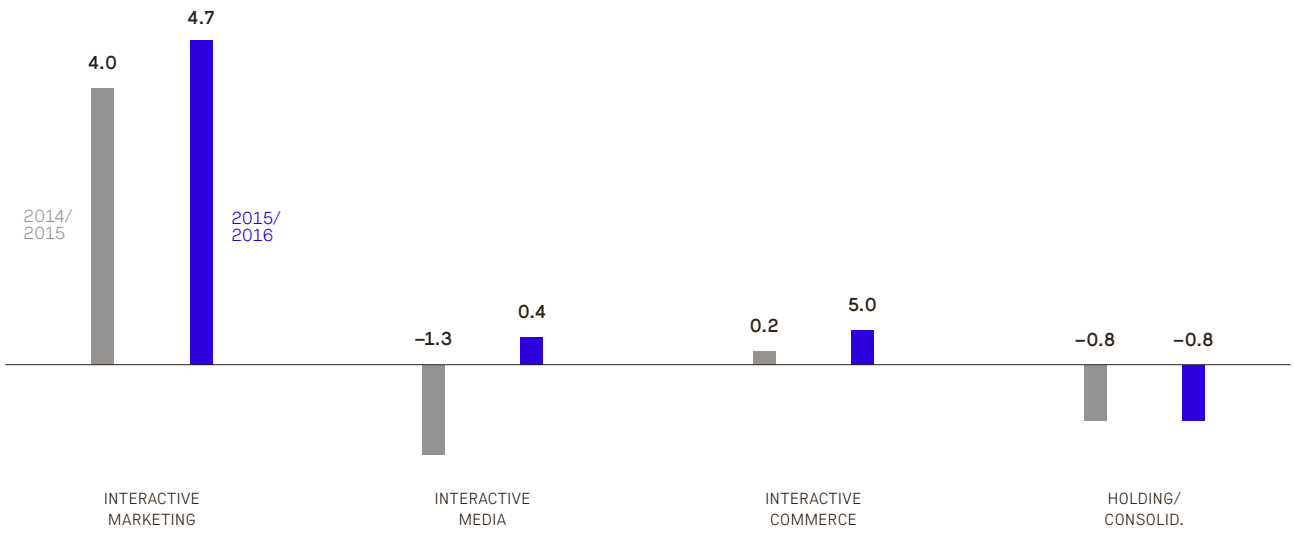
The revenue share of the biggest client therefore rose again by 2.8 percentage points to 18.7 %. In contrast, the share of the five and ten biggest clients, respectively, fell slightly in comparison to the previous year, from 56.2 % to 55.1 % and from 74.1 % to 74 %, respectively.

When developing the sector mix, it is initially noticeable that the revenue share of clients from the Retail & Consumer Goods sector significantly fell further from 15.9 % in the previous year to 11.4 % in the 2015/2016 financial year. The share of clients from the Telecommunications & Technology sector also fell. This sector's share peaked at 33.6 % in the 2013/2014 financial year. After 31.7 % in the previous year, it was just 28.7 % in the year of the report.

Against the trend, the Financial Services sector's share of SinnerSchrader revenue has risen steadily over the last three years and after 28.1 % in 2014/2015 and 20.1 % in 2013/2014, it was 32.0 % in the year of the report. Thus Financial Services providers have been the biggest group of clients. The steady expansion of business with insurance clients has made a major contribution to this.

EBITA by segment

in € million for the 2015/2016 and 2014/2015 financial years



In absolute terms, however, SinnerSchrader earned even higher revenue with its bank clients in the 2015/2016 financial year.

Alongside the Financial Services sector, the Transport & Tourism sector was thriving, with an increase of 3.1 percentage points to 19.7 % in its share of the Group's total revenue.

The Media & Entertainment sector confirmed its share of Group revenue at 4.6 % in the year of the report after 4.2 % in the previous year.

Clients that could not be assigned to any of the five sectors named above accounted for 3.6 % of revenue, almost unchanged from the previous year.

4.2 Operating Result (EBITA)

In From the revenue of € 51.1 million, SinnerSchrader generated earnings before interest, taxes and depreciation effects (EBITA) – the financial benchmark for the Group's operative performance – in the amount of a good € 4.7 million from acquisitions in the 2015/2016 financial year.

This result still includes losses from NEXT AUDIENCE business, which is currently being phased out, without which the Group's EBITA would have been € 5.1 million in the year of the report. The operating margin in the continued business divisions thus reached 10.0 %. For the Group, this resulted in a margin of 9.3 % including the contributions from NEXT AUDIENCE business.

SinnerSchrader was not quite able to achieve the original forecast for the 2015/2016 financial year made in November 2015 with these figures. The forecast assumed that the Group including NEXT AUDIENCE would generate an operating margin of 10.0 % and thus a total EBITA of € 5.0 million.

In comparison to the figures for the previous year, however, SinnerSchrader made clear operative progress. The increase in earnings for the Group as a whole was just under € 2.7 million. Just under € 0.9 million of this was accounted for by the continued business units, which means that in the 2015/2016 financial year, SinnerSchrader improved the operative performance in these units by 20.3 % in comparison to the previous year.

SinnerSchrader not quite achieving its EBITA goals for the 2015/2016 financial year is solely down to the **Interactive Marketing segment**. Although the EBITA in this segment improved by € 0.7 million or 17.3 % over the previous year, to just under € 4.7 million in the year of the report, in its forecast for 2015/2016 SinnerSchrader had, however, assumed a rise to € 5.2 million.

Development of costs by cost type

	2015/2016		2014/2015		CHANGE
	IN € 000S	IN %[1]	IN € 000S	IN %[1]	IN %
Cost of revenues	30,241	59.1	30,735	64.4	–1.6
Costs of marketing	9,411	18.4	7,562	15.9	24.5
General and administrative costs	6,460	12.6	6,022	12.6	7.3
Research and development costs	717	1.4	1,743	3.7	–58.9

1) As a percentage of net revenues

The main reason for falling short of the plan was to be found in business development in the mobile sector. After taking over Swipe GmbH SinnerSchrader had anticipated positive effects in this area more quickly. However, SinnerSchrader Swipe only returned to profit in the second half of 2015/2016, but was still in the red for the year of the report as a whole.

Neither could the SinnerSchrader agency quite reach its operative goals of developing the EBITA margin with double-digit growth towards 13.5 %. On the one hand, contribution margin problems in two major projects being implemented with new, agile project methods, made profit development more difficult. On the other hand, due to the tight labour market, the agency was not able to expand its employee capacity as planned. As a consequence, freelance staff had to be hired much more frequently than forecast in view of the revenue development being ahead of the plan.

The personnel capacity in the Interactive Marketing segment only grew by 2 to 314 full-time employees in the 2015/2016 financial year. In the plans, SinnerSchrader had assumed 329 full-time employees as the annual average. The freelancer rate of just 7.4 % aimed at for the 2015/2016 financial year was greatly exceeded at 13.3 %.

The two other segments each exceeded their operating result plans for the 2015/2016 financial year by around € 0.15 million and achieved pleasing improvements to the result situation in comparison to the previous year.

An EBITA of just under € 0.45 million was posted in the **Interactive Media segment** at the end of the year of the report. The result was higher than the forecast € 0.3 million because SinnerSchrader succeeded in incorporating the expertise and software developed by NEXT AUDIENCE in a cooperation with SAP. In future, the SAP XM business unit will develop and market a platform for programmatic media commerce to directly bring together advertisers and providers of advertising space in the digital arena. The cooperation will start in the 2016/2017 financial year; due to the incorporation of usage rights to the NEXT AUDIENCE platform in this project, the value of the software that was completely subjected to unscheduled depreciation as at 31 August 2015 had to be compensated with an effect on results in the amount of € 0.2 million.

The Content Marketing business, which is also part of the Interactive Media segment, only slightly exceeded the plans in terms of operating result and was just below the level of the previous year because of increased sales efforts.

Overall, however, the segment enjoyed a considerable improvement in results by just under € 1.8 million in comparison to the previous year. This was possible because of the elimination of the one-off costs resulting from the decision to withdraw from the NEXT AUDIENCE business and the considerable reduction of the ongoing loses from this business, which largely continued to be incurred up to 31 December 2015.

In the 2015/2016 financial year, the **Interactive Commerce segment** was on a par with the Interactive Media segment with an EBITA of a good € 0.45 million and also exceeded the original plan by € 0.15 million. The higher sales revenue was decisive for exceeding the plan.

However, just as in the SinnerSchrader agency, the personnel capacity remained behind the prediction so that the goal of reducing the freelancer rate was clearly

Development of costs by function

	2015/2016 IN € 000S	2015/2016 IN %[1]	2014/2015 IN € 000S	2014/2015 IN %[1]	CHANGE IN %
Cost of revenues	38,337	75.0	35,659	74.8	7.5
Costs of marketing	2,755	5.4	3,757	7.9	–26.7
General and administrative costs	5,282	10.3	5,449	11.4	–3.1
Research and development costs	453	0.9	1,197	2.5	–62.1

1) As a percentage of net revenues

missed. Instead of the planned 74 full-time employees, only 72 full-time employees worked in the segment on average over the year. The freelancer rate necessary to realise the higher revenue at 14.6 % thus greatly exceeded the target for the year of the report.

In total the Interactive Commerce segment nevertheless succeeded in achieving a greater rise in efficiency than assumed in the plan and, at 5.7 %, it achieved an operating margin 1.9 percentage points above the plan. The previous year's EBITA of € 0.2 million and operating margin of 2.7 % were thus improved to more than twice the levels in the segment.

The overview of cost development by cost type once again clearly shows that SinnerSchrader could not expand its own personnel capacity as planned overall in view of the tight labour market. Due to giving up the ongoing business operation of NEXT AUDIENCE, SinnerSchrader had assumed there would be a reduction of the average number of full-time employees for the year of the report, from 478 employees in the 2014/2015 financial year to 462 in the year of the report, but the average employee capacity ultimately amounted to only 446 full-time employees. Personnel costs therefore actually fell by 1.6 % in the year of the report in comparison to the previous year.

Expenditure on purchased services developed against the trend, primarily for freelancers, of necessity. SinnerSchrader therefore failed by a large margin to achieve its aim of reducing the freelancer rate – the ratio of expenditure on freelance staff to revenue – to 8.1 % in the 2015/2016 financial year. In the year of the report, the rate was 14.0 % and was thus well above the previous year's value of 9.2 %.

When viewing the total of personnel costs and expenditure for purchased goods and services, there is an increase of 3.9 % for the combined expenditure items. This is well below the rise of business volume for the SinnerSchrader Group. SinnerSchrader has thus achieved the planned increase in efficiency in relation to its own team. In the year of the report, the real net output per average full-time employee was around € 94,000, according to the plan, and exceeded the previous year's figure by around € 10,000.

Other operating expenses also broadly developed in parallel to revenue and rose by 7.3 %. In relation to revenue, they accounted for around 12.6 %, unchanged. In particular, the costs for office infrastructure, basic and further training and recruitment measures and, above all, the growth-related provision warranty reserves rose, whereas the expenditure on representation and advertising fell, not least because of the halt in marketing the NEXT AUDIENCE software. The planned approaches for other operating costs were not quite met overall.

Depreciations normalised again in the 2015/2016 financial year. Whereas the scheduled and unscheduled depreciation of the NEXT AUDIENCE software resulted in them rising by a good € 0.9 million to € 1.7 million, they were only € 0.7 million in the year of the report.
The fact that SinnerSchrader was able to incorporate the usage rights to the software in a cooperation with SAP AG was reflected as a reinstatement of value in the other income. At a good € 0.4 million, the balance of other income and expenditure was just below the previous year's level.

The Statement of Operations of the SinnerSchrader Group using the costs of sales method shows that € 0.8 million of the total rise in the EBITA of just under € 2.7

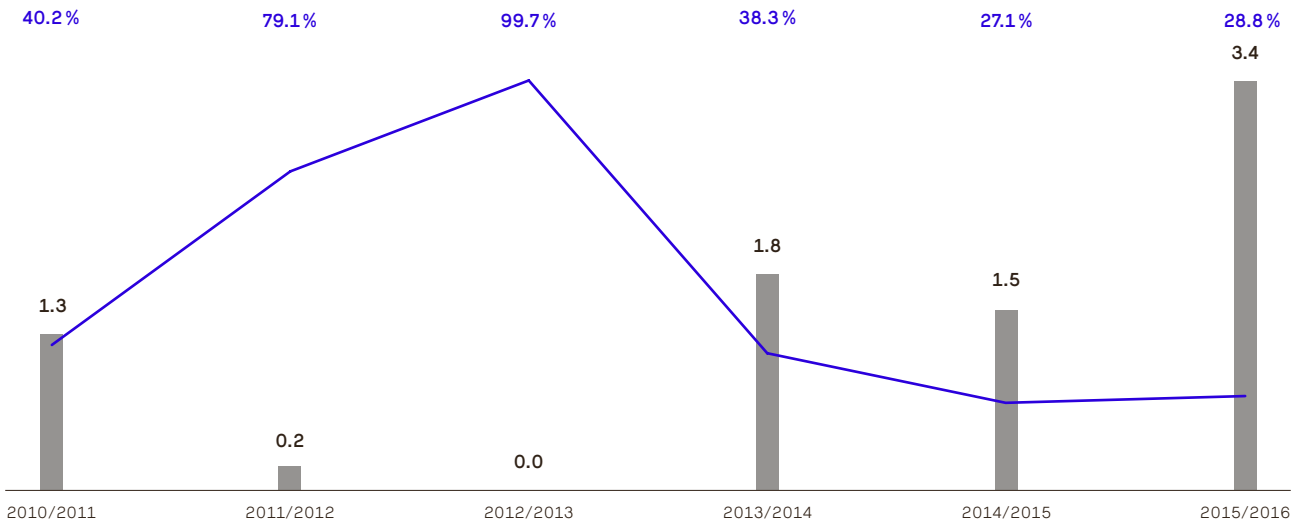
million in the 2015/2016 financial year was achieved by a rise in the gross profit. As a result of the deterioration in the number of own staff compared to the number of freelance employees and the cost overruns in several agile projects, the costs of sales increased with a rise of 7.5 %, which was slightly disproportionate to the growth in sales. The gross margin therefore fell slightly by 0.2 percentage points to 25.0 % in the year of the report. A consistently improved capacity utilisation and progress in the effectively realised daily rate were important positive factors for the comparatively stable development of the gross margin.

The reduction in sales costs, with a scope of € 1.0 million, accounted for an even greater share of the positive development of the operating result. Lower sales expenditure in all units was essential for the sales goals to be achieved. Around half of the savings were accounted for by the halt in marketing the NEXT AUDIENCE software in the Interactive Media segment. In the Interactive Marketing segment, SinnerSchrader successfully concentrated on fewer pitches and also succeeded in ensuring that its own conferences, which are important components of the marketing mix, financed themselves to a greater extent.

Another good € 0.7 million improvement in the EBITA resulted from expenditure on research and development. Expenditure in the amount of a good € 0.9 million resulted from the discontinuation of the further development of the NEXT AUDIENCE Platform. In the Interactive Marketing segment, against the trend, € 0.2 million more were invested in research and development, especially in the in-house development of an “own cloud solution” for the operating and managed hosting services provided by SinnerSchrader.

Finally, the general costs and administrative costs in the 2015/2016 year of the report were also lower than those of the previous year. Savings from the withdrawal from the NEXT AUDIENCE business in the order of € 0.5 million were countered by additional expenditure in the other units, totalling a good € 0.3 million, resulting on balance to a contribution of just under € 0.2 million to the improvement in the operating result.

Development of net income and tax rate
in € million for the 2010/2011 to 2015/2016 financial years



4.3 Net Income

On the bottom line of the Statement of Operations, the positive operative development of the SinnerSchrader Group in the 2015/2016 financial year also resulted in an upturn in income. The net income for the year of the report totalled a good € 3.4 million and was thus more than twice as high as in the 2014/2015 financial year, when € 1.5 million were posted as at the balance sheet reporting date.

With this net income, SinnerSchrader was able to exceed the internal planning, which was the basis for the original forecast of income of more than € 3.0 million. Although the operative plan was not quite met, the income was achieved because the tax rate was not above the statutory rate of 32.3 %, as assumed in the financial year forecast, but was well below it at 28.8 %.

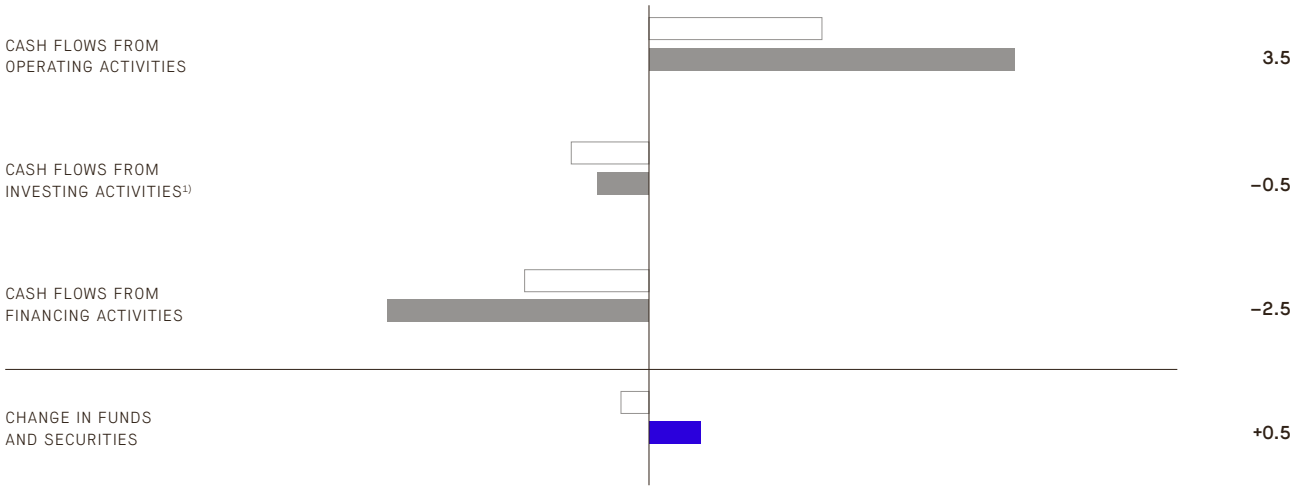
On the one hand, due to the stable development in content marketing business, the allowances on the deferred tax assets for NEXT AUDIENCE losses carried forward were to be cut further, resulting in deferred tax income. On the other hand, a positive income development in the Prague SinnerSchrader subsidiary resulted in a contribution to income with no tax payable due to the income being offset against losses incurred during the start-up phases of the company.

The financial result for the 2015/2016 financial year was negligible, as in the previous year. Interest income and expenditure were more or less balanced. A limited amount of average available liquidity, but in particular the historically low interest level, which resulted in some banks charging their corporate clients negative interest, offered a continuing poor environment for earning interest income with conservative investment strategies.
As in the previous year, no amortisation costs were incurred in the year of the report. In the purchase price allocation as part of the takeover of Swipe GmbH in July 2015, no assets to be depreciated according to schedule were identified over and above the assets recognised in the Swipe balance sheet to which part of the purchase price would have had to be allocated.

Spread over the diluted number of shares outstanding, the net income corresponds to € 0.29 per share. SinnerSchrader had aimed at a value of more than € 0.26 for the 2015/2016 financial year. The earnings per share amounted to € 0.13 in the previous year.

Consolidated statements of cash flows

in € million for the 2015/2016 and 2014/2015 financial years



1) Without investment of liquid funds in securities and long-term fixed deposits

4.4 Financial Situation

The development of the financial situation underlines the pleasing course of business in the 2015/2016 year of the report. Just like the operative result and the net income, the operating cash flow in the year of the report also reached more than double the value of the previous year. After € 1.7 million in the 2014/2015 financial year, inflows and outflows of funds from the operative sphere amounted to € 3.5 million in the 2015/2016 financial year. The outflows of funds of just under € 0.5 million to purchase tangible assets and software, € 1.4 million to pay the dividend and a good € 1.1 million to buy back treasury stock were met from the operative cash flow without any problems. A balance of € 0.5 million remained after these cash requirements had been met. The liquid funds available as at the balance sheet date rose by this amount, from € 5.6 million on 31 August 2015 to € 6.1 million on 31 August 2016.

The basis for the strong operative cash flow was the annual profit of € 4.0 million adjusted by non-cash transactions. This was also the main difference from the previous year, when the adjusted annual profit was only € 2.2 million.

The balance from the cash flows, resulting from the changes in the asset and debt items of the working capital, the tax item and the reserves, showed an outflow of funds of a good € 0.5 million for the year of the report. In the previous year, the outflow was only slightly higher at just under € 0.6 million.

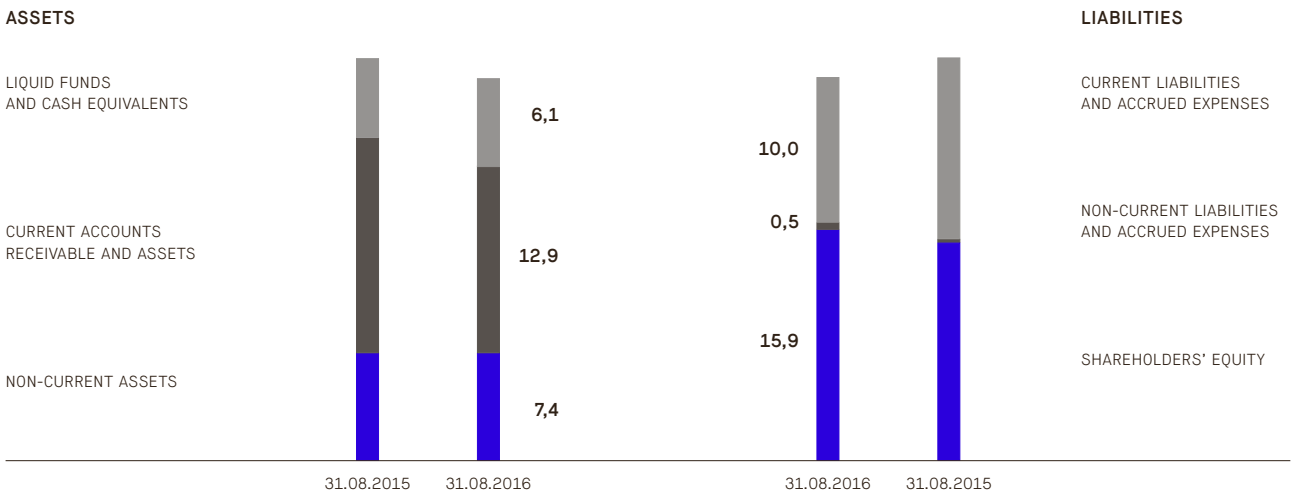
However, there were considerable differences in the individual items of the balances. In the year of the report, the funds tied up in receivables from clients including unbilled services were reduced by just under € 1.9 million in spite of the revenue growth. In the previous year, a reduction of only around € 0.4 million was achieved with stagnant business volumes.

Against the trend, there was a significant outflow of funds from the reduction in liability items in operative business in the amount of € 3.2 million in the period of the report. One of the reasons for this reduction was a change in the settlement terms for the online shop managed on behalf of a client in the Interactive Commerce segment. Funds previously flowing in as deposit payments at the end of each month ceased due to the new accounting method introduced in the course of the year of the report. In the previous year, the fall in debt accounted for only € 1.0 million.

The development of reserves shows, albeit in the opposite direction, a similar difference of around € 2.0 million between the 2015/2016 and 2014/2015 financial years. In the year of the report, the reserves rose again by € 0.5 million, with corresponding relief for the operative cash flow. In the previous year, in particular due to the change in the remuneration system and the switch from previously variable to fixed remuneration shares, reserves

Development of consolidated balance sheet

in € million



were reduced in the amount of € 1.5 million, which placed a corresponding burden on the operative cash flow.

The volume of investments in tangible assets and software in the 2015/2016 financial year was almost unchanged over the previous year at € 0.5 million, and largely concerned expansion and replacement investments in IT and workplace equipment for employees. No major investment projects were scheduled for the year of the report. In the previous year, SinnerSchrader had also used cash funds in the amount of € 0.3 million to partially finance the acquisition of Swipe GmbH.

In the financing section, there were cash outflows of just under € 1.4 million for the payment of dividends in the amount of € 0.12 per share to the shareholders of SinnerSchrader AG in each of the financial years. In the 2015/2016 financial year, funds of a further good € 1.2 million were used to buy back treasury stock. SinnerSchrader did not buy back any shares in the previous year. In both years, there were small financing inflows of € 0.1 million and € 0.15 million, respectively, due to the issuing of treasury stock to service exercised employee options. The outflow of funds in the financing section thus totalled € 2.5 million in the 2015/2016 financial year in comparison to € 1.2 million in the previous year.

4.5 Asset Situation

In the 2015/2016 financial year, the consolidation of the balance sheet ratios from the last financial year continued in spite of the expansion in business volume. The balance sheet total fell in the year of the report by 4.6 % from € 27.7 million on 31 August 2015 to € 26.4 million on 31 August 2016.

In addition to successful working capital management, two developments above all contributed to a reduction in the balance sheet total. On the one hand, the change in the accounting method for the online shop managed on behalf of a client in the Interactive Commerce segment resulted on the liabilities side in a reduction in the deposit payments received by € 1 million and in correlation to a correspondingly low rise in liquid funds. On the other hand, the amount of € 1.2 million used to buy-back treasury stock reduced the shareholders' equity on the liabilities side and the liquidity item on the asset side by this amount.

In spite of the above-mentioned restrictions of the liquidity development, the amount of cash funds in the year of the report rose by a good € 0.5 million to € 6.1 million as at 31 August 2016. This is directly linked to the management of the accounts receivable for clients. This item was reduced by just under € 2.4 million to a good € 7.9 million in the period of the report in parallel to expanding the business volume. Only around a fifth of the total of

€ 2.4 million was absorbed by a rise in unbilled services in the amount of just under € 0.5 million to € 4.2 million as at 31 August 2016.

The long-term assets hardly changed in the 2015/2016 financial year, with a value of just under € 7.4 million as at 31 August 2016. In view of a comparatively small amount of investment, the book value of the tangible assets fell by € 0.2 million, the amount of the scheduled depreciation. The value of the other intangible assets rose by € 0.1 million, against the trend. The conclusion of a cooperation agreement with SAP AG, which incorporated the usage rights to the NEXT AUDIENCE software, helped to increase the value here. On the basis of the agreement, the unscheduled depreciation undertaken for this software as at 31 August 2016 in the amount of € 0.2 million had to be compensated. Finally, deferred taxes rose by a good € 0.1 million due to a further reduction in the allowances on deferred tax assets on the cumulated NEXT AUDIENCE losses carried forward. A stable development in the content marketing business, the results of which are to be offset against losses carried forward, necessitated the reduction of the allowances.

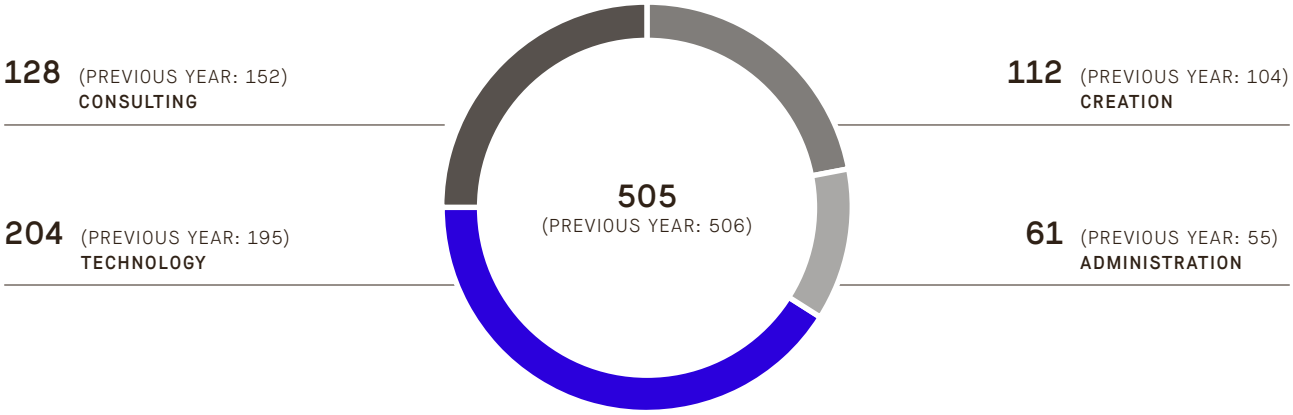
On the liabilities side, the short-term liability items decreased by a total of € 2.4 million to € 10.0 million. Against the trend, the shareholders' equity rose by € 0.9 million to € 15.9 million as at 31 August 2016. The rise in shareholders' equity of € 3.4 million resulting from the net income earned in the year of the report was partially absorbed by the payment of the dividend for the 2014/2015 financial year in the volume of just under € 1.4 million and by the buy-back of treasury stock.

In the 2015/2016 financial year, SinnerSchrader used funds in the amount of a good € 1.2 million to buy back shares and thus purchased 288,803 shares of treasury stock on the stock exchange. Against the trend, SinnerSchrader issued 50,000 shares of treasury stock due to the exercising of employee options and received the exercise price in the amount of € 0.1 million for them. The number of shares of treasury stock thus rose over the financial year from 59,239 shares on 31 August 2015 to 298,042 shares on 31 August 2016. These changes in the number of shares of treasury stock burdened the shareholders' equity in the amount of € 1.1 million.

As a result of the opposite development of the balance sheet total and shareholders' equity, the shareholders' equity rate rose clearly by 6.1 percentage points to 60.0 %.

Employee structure according to areas

as at 31 August 2016



4.6 Employees

On 31 August 2016, the SinnerSchrader Group had altogether 505 employees (including apprentices, interns, students/graduands/bachelor degree candidates and members of management bodies). In comparison to 31 August 2015, the Group's number of employees had fallen by 1.

The withdrawal from the NEXT AUDIENCE business resulted in a loss of 30 jobs. Against the trend, the number of employees in the continued business divisions and the managing holding company rose by 29 as at 31 August 2016. Wherever possible, SinnerSchrader continued to employ the NEXT AUDIENCE staff in new functions.

Unlike the number of employees on the balance sheet dates, the number of full-term employees available on average in the year – the key indicator of personnel capacity – shows a clear fall in the 2015/2016 year of the report in comparison to the previous year. On average over the 2015/2016 year, 446 employees worked in the SinnerSchrader Group, 32 fewer than in the previous year. With a capacity fall of 29 full-time employees, the change was for the most part due to the discontinuation of the NEXT AUDIENCE business at the end of 2015.

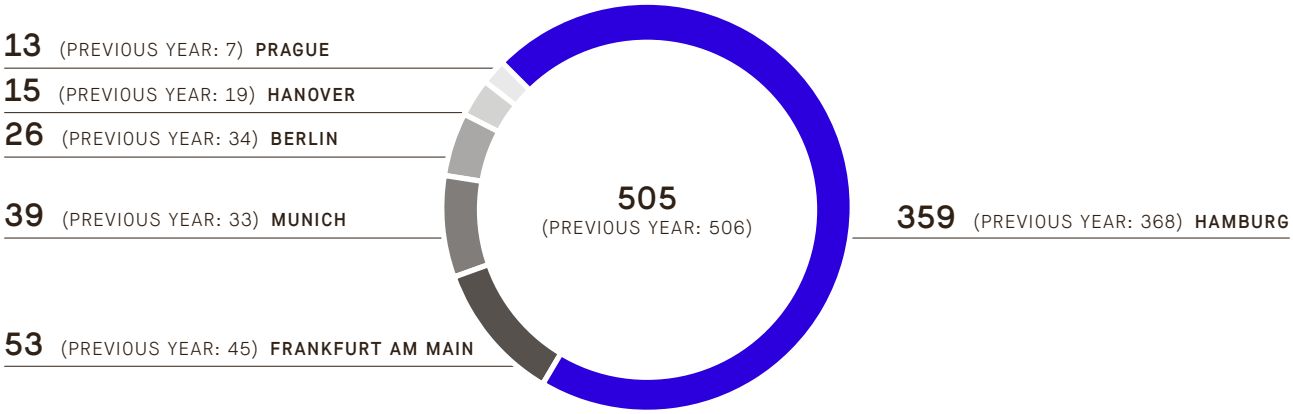
In contrast to the reporting date figures, in which part-time jobs have not been standardised, the capacity fall at NEXT AUDIENCE was not balanced out by increases in the other continued business units and the holding. What was decisive here was that the Interactive Commerce segment once again reduced its capacity in the year of the report by 11 to 72 full-time employees.

At 314 full-time employees in the 2015/2016 year of the report, the personnel capacity in the Interactive Marketing segment, by contrast, was just under 2 full-time employees higher than in the previous year. Capacity was also expanded by just under 5 employees to 16 full-time employees in the Content Marketing business, the second pillar of the Interactive Media segment. As a result, the capacity of the Interactive Media segment was a total of 22 full-time employees in the year of the report. There was an average of 38 full-time employees in the holding, around 2 employees more than in the previous year.

Although the capacity development at NEXT AUDIENCE and in the Interactive Commerce segment largely went as planned, in the Interactive Marketing segment SinnerSchrader did not achieve its goal of expanding employee capacity to 329 full-time employees in the 2015/2016 financial year. New competitors who need to catch up in expanding capacity and many companies who are following the current trend for the massive establishment and development of digital expertise have made the labour market noticeably tighter for SinnerSchrader and increased fluctuation. In total, SinnerSchrader remained 16 full-time employees short of the capacity of 462 full-time employees forecast for the year of the report.

Employee Structure according to location

as at 31 August 2016



On the balance sheet date of the 2015/2016 financial year, the number of employees, at 505, was above the average for the year and thus shows the continuous, albeit still slower than wanted, expansion of capacity. The classification according to functional areas showed that of the 505 employees, 128 employees worked in consulting (including strategy and data analysis), 204 employees in technology, 112 employees in the area of creation and 61 employees in administrative functions.

On the reporting date of the previous year, 152 employees were working in consulting, 195 in technology, 104 in the area of creation and 55 in administration. These comparative figures show that only the consulting area had fewer employees assigned to it than one year earlier. Primarily, this is due to the fact that the jobs in media planning and campaign management at NEXT AUDIENCE that were lost due to the discontinuation of business, were assigned to this functional area.

On 31 August 2016, 359 of the 505 employees were working in Hamburg, 53 in Frankfurt am Main, 39 in Munich, 26 in Berlin and 15 and 13, respectively, in Hanover and Prague. In comparison to the spread in the previous year, the number of employees in Hamburg, Berlin and Hanover fell, whereas the number in Frankfurt am Main, Munich and Prague rose. The withdrawal from the NEXT AUDIENCE business had an impact only on the Hamburg location.

On 31 August 2016, 443 employees had a permanent job, 19 were working as apprentices or were completing a placement or a trainee programme. Another 43 employees were working as students or graduands/bachelor degree candidates. In the previous year, there were 451 permanent employees, including all 30 NEXT AUDIENCE employees. In 2014/2015 9 employees were working as apprentices/interns/trainees and 46 as students/graduands/bachelor degree candidates.

5 Business Development and Situation of the AG

SinnerSchrader AG is the managing holding company of the SinnerSchrader Group. Its business activity comprises developing and implementing the Group's strategy, expanding of the business portfolio, controlling, monitoring and financing the operating Group companies, administrating and controlling Group liquidity, managing the domestic companies liable for tax, performing central Group tasks, such as Investor Relations work, providing and administering the infrastructure used jointly by the Group companies, in particular the office premises, as well as rendering central administrative services.

Development of the Income Situation

In contrast to the previous year, the SinnerSchrader AG Statement of Operations showed a worse income development for the 2015/2016 financial year than the Group Statement of Operations. The result of ordinary business activities was just under € 3.8 million in the year of the report, as much as € 1.1 million below the figure for the previous year.

A major reason for this great difference was that the contributions from the profit and loss transfer agreements, at € 4.5 million in the year of the report, were € 1.3 million lower than in the 2014/2015 financial year. The composition of the subsidiaries, which are affiliated with the AG via a profit and loss agreement, had not changed. They are still SinnerSchrader Deutschland GmbH and SinnerSchrader Commerce GmbH (formerly Commerce Plus GmbH).

Due to commercial law accounting standards, neither company was able to post their positive operative development according to the IFRS international accounting standards, as they are incorporated in group earnings in their individual accounts. Whereas under international rules, results from project agreements subject to contracts for work can, under certain circumstances, be realised at the degree of completion of the overall project according to the percentage of completion method, these results are accrued only after completion and acceptance of the project by the contractor under standard commercial regulations. Because of these differences, the results of the two companies under commercial law were above the IFRS results in the previous year and were now lower in the year of the report. The ensuing difference in the operating result development accounted for around € 1.8 million in a comparison of the two years.

Another reason for the different operating result development of the AG and the Group is the fact that the development of NEXT AUDIENCE GmbH with its subsidiary SinnerSchrader Content GmbH does not have a direct impact on the AG. For this reason, the cessation of the negative effects on profits from the NEXT AUDIENCE Group in the SinnerSchrader Group – a key driver of the positive Group operating result development in the 2016/2016 financial year – did not have a positive impact on the AG result. The equity interest for the subsidiaries from the previous year was confirmed as at 31 August 2016. Just as in the previous year, in the year of the report there were no dividend payments from the subsidiaries that are not affiliated with the AG via a profit and loss agreement.

The sales revenue of the AG, largely expenses passed on to the subsidiaries, rose as did the other operating income, mainly resulting from the direct costs passed on from the costs borne by the AG for the subsidiaries. In the 2015/2016 financial year, the sales revenue of the AG amounted to € 5.65 million, the other operating income € 0.6 million, after € 4.9 million and € 0.3 million, respectively, in the previous year. This rise reflects the expansion of the business volume and a greater integration of the SinnerSchrader Group subsidiaries.

Against the trend, both developments also resulted in corresponding increases in personnel costs and other operating expenses, which amounted to a good € 3.12 million and € 3.65 million, respectively, in the year of the report. In the previous year, the costs were € 2.7 million and € 3.15 million, respectively. As in the previous year, the expenses for depreciation amounted to € 0.2 million in the year of the report.

On balance, a cost overrun for the original tasks of the AG in the amount of € 0.75 million thus resulted from the operative sphere of the AG, following just under € 0.9 million in the previous year.

The interest result of the AG was still negligible due to a market interest rate in the short-term range of around 0 %. In the year of the report, there was a slightly positive interest balance with liquidity surpluses in the AG that were rising slowly again, which resulted from the interest paid on loans granted within the Group. This figure was still negative in the previous year.

After deduction of taxes on income in the amount of € 1.3 million, an annual profit of € 2.5 million remained in the year of the report. In the previous year, the annual surplus was just under € 3.4 million. After adding in the profit carry forward from the 2014/2015 financial year in the amount of € 0.75 million, the AG reported a balance sheet profit of € 3.25 million as at 31 August 2016.

In the previous year, the balance sheet profit was € 2.1 million after 50 % of the annual profit was posted to other revenue reserves in accordance with Article 58 para 2 of the German Stock Corporation Act ("AktG") and after addition of the profit carry forward from the previous year.

Development of the Asset and Financial Situation

The balance sheet of SinnerSchrader AG drawn up according to regulations under commercial law changed only marginally from 31 August 2015 to 31 August 2016. The balance sheet total rose only by € 0.4 million to € 37.1 million on the balance sheet date of the 2015/2016 financial year.

On the asset side, the amount of liquid funds rose by € 1.1 million, whereas the other current assets, inventories and receivables fell by just under € 0.6 million and the non-current assets by just under € 0.2 million with constant assumptions for the shares in affiliated companies.

On the liabilities side, the reserves – especially tax reserves, bonus reserves and reserves in the area of occupancy costs – rose by just under € 0.5 million, whereas the current liabilities in total fell by € 0.1 million.

The shareholders' equity was unchanged at € 34.2 million as at 31 August 2016. In the course of the 2015/2016 financial year, SinnerSchrader bought back 288,803 of its treasury stock with a current value of € 1.2 million. After deduction of the opposing additions to shareholders' equity from the issuing of 50,000 shares of treasury stock within the context of exercising employee options of around € 0.1 million, on the bottom line, the shareholders' equity fell by € 1.1 million due to the increase in the number of shares of treasury stock. The annual profit of € 2.5 million for the year of the report less the dividend payment for the preceding financial year in the amount of just under € 1.4 million ensured a balance of around the same amount, with the result that the shareholders' equity did not change in the period of the report as a whole.

The shareholders' equity ratio thus fell by 1.0 percentage point, from 93.1 % as at 31 August 2015 to 92.1 % as at 31 August 2016.

On the balance sheet date, SinnerSchrader AG remained soundly financed without the use of financial liabilities and was able to meet all its payment obligations at any time.

Employees

On the balance sheet date of 31 August 2016, the AG had 53 employees, including members of the Management Board, interns and students. This figure was thus 10 employees more than the number as at 31 August 2015. The AG had an average of 46.5 employees in the 2015/2016 financial year, against 43.6 employees in the previous year. The growth in the workforce was focussed on the central departments of IT Security and Personnel.

6 Corporate Governance

6.1 Declaration on Corporate Governance

Under Article 289a of the German Commercial Code, companies quoted on the stock exchange must either include a declaration on corporate governance in their status report or make one accessible to the public on their website. The Management Board of SinnerSchrader AG submitted the declaration on 10 November 2016 and published it on the SinnerSchrader Investor Relations website at www.sinnerschrader.ag under the heading "Corporate Governance".

6.2 Compensation Report

6.2.1 Compensation System for the Management Board

The compensation system for the Management Board has not changed in comparison to the situation reported in the combined 2014/2015 Status Report and Consolidated Status Report.

Specifying the structure and level of the Management Board compensation is the duty of the Supervisory Board.

The compensation system for the Management Board is aimed at paying the individual members appropriately according to their areas of activity and responsibility while taking adequate account of individual performance, company success, and the development of the share price by means of a substantial variable portion. It is made up
of the following components:

- a non performance-related salary to be paid in twelve equal monthly instalments
- performance-related variable compensation related to one year, partially on the basis of achieving individual goals and corporate goals laid out in the annual plan and partially as a percentage of the net income
- performance-related variable compensation related to three years, depending on achieving specific minimum values for the average growth rate of net revenues and for the average net income margin over the three financial years
- a share-based compensation component with a medium-to-long-term incentive effect
- other benefits (mainly a company car, accident insurance, D&O insurance with an excess, and the reimbursement of expenses)

The individual weighting of each component takes account of the fact that the Management Board members hold varying stakes in the Company. As at 31 August 2016, Matthias Schrader, co-founder of SinnerSchrader AG, held 2,588,399 shares or 22.42 % of all shares issued. As at 31 August 2016, Thomas Dyckhoff held 109,950 shares. The salary package of Mr Schrader therefore has not contained any option allocations until now, due to his share ownership.

In connection with Mr Dyckhoff's reappointment for the period from 1 January 2008 to 31 December 2012, Mr Dyckhoff was granted 75,000 share options and, as at 1 August 2011, a further 45,000 share options from the 2007 Stock Option Plan which was adopted by the Annual General Meeting of 23 January 2007. No further share options were granted in connection with Mr Dyckhoff's reappointment for the period from 1 January 2013 to 31 December 2016. In connection with Mr Dyckhoff's reappointment for the period from 1 January 2017 to 31 December 2021, Mr Dyckhoff was granted 45,000 share options from the 2012 Stock Option Plan.

The 2007 Stock Option Plan provides for an exercise price in the amount of the average closing price of the SinnerSchrader share on the five trading days before allocation, exercise thresholds of 30 %, 40 %, and 50 % above the exercise price, and waiting periods of three, four, and five years for one-third each of the allocated options. Mr Dyckhoff exercised 75,000 options at an exercise price of € 1.59 per share in the 2014/2015 financial year. The average exercise price for the remaining 45,000 options held by Mr Dyckhoff is € 2.35 per share.

Since 1 July 2010, the D&O insurance concluded for the Management Board members as part of the other benefits has made provision for an excess in the level prescribed according to Article 93 para. 2 sentence 3 of the German Stock Corporation Act ("AktG").

The members of the Management Board are subject to a post-contractual ban on competition which provides for remuneration for observing this period in the amount of

50 % of the most recent non performance-related annual compensation payment received. With respect to the compensation payments, it was agreed with the members of the Management Board that they must fulfil the recommendations of the Corporate Governance Code No. 4.2.3.

The following table gives an overview of the benefits granted in the 2015/2016 financial year in accordance with the German Corporate Government Codex proposal:

Compensation system for the Management Board

	MATTHIAS SCHRADER, CEO JOINED: 1996, FOUNDER, RESIGNATION/RETIREMENT: —				THOMAS DYCKHOFF, CFO JOINED: 18.10.1999, RESIGNATION/RETIREMENT: —			
BENEFITS GRANTED	2014/2015	2015/2016	2015/2016 (MIN.)	2015/2016 (MAX.)	2014/2015	2015/2016	2015/2016 (MIN.)	2015/2016 (MAX.)
Fixed remuneration	190,000	210,000	210,000	210,000	160,000	160,000	160,000	160,000
Fringe benefits	8,752	11,592	11,592	11,592	9,679	9,679	9,679	9,679
Total	**198,752**	**221,592**	**221,592**	**221,592**	**169,679**	**169,679**	**169,679**	**169,679**
One-year variable remuneration								
Target bonus	50,000	50,000	—	50,000	50,000	50,000	—	50,000
Bonus[1]	45,552	101,196	—	173,333[1]	30,368	67,464	—	95,000[1]
Total	**95,555**	**151,196**	**—**	**120,000**	**80,370**	**117,464**	**—**	**95,000**
Multi-year variable remuneration								
Target bonus for the 2013/2014, 2014/2015 and 2015/2016 financial years	25,000	25,000	—	25,000	15,000	15,000	—	15,000
Share options	—	—	—	—	—	—	—	—
Total	**25,000**	**25,000**	**—**	**25,000**	**15,000**	**15,000**	**—**	**15,000**
Pension-related expenses	—	—	—	—	—	—	—	—
Total remuneration	**319,307**	**397,788**	**221,592**	**366,592**	**265,049**	**302,143**	**169,679**	**279,679**

1) The maximum amount applies for the one-year remuneration as a whole.
It only enters into effect in its full amount if no target bonus becomes payable.

The following table shows the compilation based on inflow aspects:

Management Board remuneration based on inflow aspects

	MATTHIAS SCHRADER, CEO JOINED: 1996, FOUNDER, RESIGNATION/ RETIREMENT: —		THOMAS DYCKHOFF, CFO JOINED: 18.10.1999, RESIGNATION/ RETIREMENT: —	
INFLOW	2014/2015	2015/2016	2014/2015	2015/2016
Fixed remuneration	190,000	210,000	160,000	160,000
Fringe benefits	8,752	11,592	9,679	9,679
Total	**198,752**	**221,592**	**169,679**	**169,679**
One-year variable remuneration				
Target bonus	28,750	27,000	35,625	37,500
Bonus	55,581	46,736	37,054	31,157
Total	**84,331**	**73,736**	**72,679**	**68,657**
Multi-year variable remuneration				
Target bonus for the financial years 2013/2014, 2014/2015 und 2015/2016	—	—	—	—
Share options[1)]	—	—	120,750	—
Total	**—**	**—**	**120,750**	**—**
Pension-related expenses	—	—	—	—
Total remuneration	**283,083**	**295,328**	**363,108**	**238,336**

1) Non-cash benefits realised on the date of exercising an option are shown.

In addition, an individualised Management Board compensation overview broken down according to its components for the 2015/2016 financial year is listed in the Notes to the Consolidated Financial Statements and in the Notes to the SinnerSchrader AG Annual Report.

6.2.2 Compensation System for the Supervisory Board

The compensation system for the Supervisory Board has not changed against the compensation system of 31 August 2015. The structure and amount of the remuneration paid to the Supervisory Board is specified by the Annual General Meeting.

Under the Annual General Meeting resolution of 15 December 2011, remuneration for the regular Supervisory Board members is as follows:

- basic compensation of € 12,500 per year
- expenses
- D&O insurance without excess
- reimbursement of the turnover tax to be paid on the Supervisory Board compensation and the expenses

Unlike the other members, the Chairman of the Supervisory Board receives fixed compensation of € 20,000 a year.

An individualised Supervisory Board compensation overview broken down according to its components for the 2015/2016 financial year is listed in the Notes to the Consolidated Financial Statements and in the Notes to the SinnerSchrader AG Annual Report.

6.3 Information Relevant to Takeovers According to Articles 289 Para. 4 and 315 Para. 4 of the German Commercial Code

The subscribed capital of SinnerSchrader AG is divided into 11,542,764 individual no-par value share certificates with a calculated face value of € 1 issued in the name of the owner. Different classes of shares have not been formed.

The members of the Management Board are underwriters of a consortium agreement in which the pre-IPO investors in SinnerSchrader AG are obligated to the pooling of voting rights in the event of exercising rights and to standard pre-purchase and co-sale rights.

On 31 August 2016 SinnerSchrader held 298,042 shares of treasury stock, which gives it no voting rights or other rights.

Several shareholders have notified SinnerSchrader AG pursuant to Article 21 of the Securities Trading Act ("WpHG") in conjunction with Article 22 WpHG that over 10 % of the votes can be assigned to them. The most recent notification for each shareholder is listed in the Notes to the Consolidated Financial Statements an the Annual Financial Statements of SinnerSchrader AG as at 31 August 20156. According to the information there, as well as the presentation of the shares held by the Board members in the Notes to the Annual Financial Statements of the AG, Matthias Schrader, co-founder of SinnerSchrader and Chairman of the Management Board of the AG, directly held 2,588,399 shares as at 31 August 2016, corresponding to 22.42 % of all voting rights.

None of the shares issued in SinnerSchrader AG are granted special rights.

The AG does not initiate voting controls for employees holding a share of the capital if these employees do not fall under the cited consortium agreement.

The appointment and dismissal of the members of the Management Board is based on Article 84 AktG. In addition, the Statutes of SinnerSchrader AG make provisions for the Management Board to be made up of at least two people and for the Supervisory Board to be able to appoint deputy members of the Management Board.

According to Article 119 para. 1 No. 5 AktG, amendments to the Statutes are subject to the Annual General Meeting.

According to the Statutes, the Supervisory Board is furthermore authorised to adopt amendments to the Statute that affect only the wording.

The Annual General Meeting of 20 December 2012 authorised the Management Board to increase the share capital of the AG once or repeatedly by up to a total of € 5,770,000 until 19 December 2017 with the approval of the Supervisory Board by issuing new no-par-value shares in return for a contribution in cash or a contribution in kind ("Approved Capital 2012").

The Annual General Meeting of 23 January 2007 authorised the Management Board to increase the share capital of the AG, once or several times, with the approval of the Supervisory Board by 31 December 2011 by issuing a total of up to 600,000 option rights to no-par-value share certificates of the AG with a term of seven years to employees and members of the management of the AG and affiliated companies, conditionally by up to € 600,000 ("Conditional Capital III").

By a resolution adopted at the Annual General Meeting of 20 December 2012, the Management Board was also authorised to increase the share capital of the AG with the approval of the Supervisory Board by 19 December 2017 by issuing altogether up to 550,000 option rights for one no-value bearer share in the AG with a term of seven years to employees and members of the management of the AG and affiliated companies conditionally by up to € 550,000 ("Conditional Capital 2012").

According to the Annual General Meeting of 29 January 2014, the Management Board is furthermore entitled to buy back treasury stock up to a total share in the AG of 10 % of the share capital via the stock exchange or a public purchase offer addressed to all shareholders by 17 December 2018. The Management Board may not take advantage of this authorisation to trade treasury stock.

Furthermore, individual client contracts concluded by SinnerSchrader AG subsidiaries include the right to termination in the event of a change of control.

No compensation agreements made by the AG in the event of a takeover offer have been made with members of the Management Board or employees.

7 Major Events after the Balance Sheet Date

After 31 August 2016 there were no events that would be of particular importance for an assessment of the income, financial, and assets status.

8 Forecast

The 2015/2016 financial year – the year of the SinnerSchrader Group's 20th anniversary – was a good year. After the decision to withdraw from the NEXT AUDIENCE business in June 2015, the Group was able to demonstrate the growth and earning power of the continued business units from September 2015 to August 2016. With a business volume of € 50.9 million, they achieved revenue growth of 12.6 % and an operating margin of 10.0 % with an EBITA of € 5.1 million.

For the Group as a whole, new record figures for the Group's 20-year history were posted at the end of the year of the report: revenue of € 51.1 million, EBITA of € 4.7 million and net income of just under € 3.4 million. The high expectations for development in the 2015/2016 financial year were thus met.

With a view to the 2016/2017 financial year and the following years, however, not only the good financial figures from the year of the report are of significance. It is at least equally important that SinnerSchrader has laid foundations for the next development steps in some fields:

- The SinnerSchrader agency won an international pitch process to be the worldwide lead digital agency for the car manufacturer Audi. The cooperation, initially set for three years, was started in July 2016. This new client relationship will therefore start to make a significant contribution to revenue and earnings in the 2016/2017 financial year. Audi could develop into the biggest client of the SinnerSchrader Group as early as in the first financial year of the engagement. All of the business units of the SinnerSchrader Group will probably be working for the car manufacturer.
- The importance of the cooperation between the various business units has increased greatly with the number of client relationships in which more than one unit is involved. Conceptualising and implementing this cooperation was one of the focuses of internal development for the SinnerSchrader Group in the 2015/2016 financial year. This development found its external expression in the renaming of Commerce Plus GmbH and Swipe GmbH: they now operate under the uniform brand SinnerSchrader as SinnerSchrader Commerce GmbH and SinnerSchrader Swipe GmbH.
- In a broad-based initiative in the year of the report, SinnerSchrader developed an agile project management model seen as essential for the success of many future projects, in terms of results delivered and financially. As part of this initiative, SinnerSchrader employees have successfully sat more than 50 certification exams to be Product Owner or Scrum Master.
- In the second financial year after giving up the client relationship with the Czech car manufacturer Škoda, SinnerSchrader consistently focused on developing nearshoring operations at its subsidiary SinnerSchrader Praha s.r.o. and developed functioning working models for the Group, both in the creative and the technical fields. By the end of the 2015/2016 financial year, the SinnerSchrader team in Prague had already grown to 25 permanent and freelance employees.

Development of the Market Environment

The start of the 2016/2017 financial year falls in the phase of a positive fundamental mood for the economy as a whole in Germany. After the ifo business climate index reached its highest level since May 2014, at 109.5 points in September 2016, the first month of the financial year, in October it rose again by 1 point to 110.5 points. The positive development of the trend indicator was mainly supported by a marked improvement in business expectations for the six months ahead. But the assessment of the current situation also recovered for the commercial economy in the first two months of the 2016/2017 financial year after the uncertainty caused by the Brexit vote in the UK at the end of June 2016.

In the services sector, the business climate in the last two months followed the trend of the business climate in the commercial economy. There, although current assessments from September and October 2016 are not at record levels in comparison to the previous twelve months, in a historical comparison over the last ten years they are at a level that was surpassed only in two months of this period – November and December 2015.

Further figures round off the positive environment for investments made in the German economy: growth in the real gross domestic product for the first half of the 2016 calendar year was 2.3 % in comparison to the same period of the previous year. When compared with the spring 2016 joint diagnosis of leading economic research institutes, the growth expectations for 2016 as a whole and for 2017 were raised to 1.9 % and 1.4 %, respectively.

With respect to the market that SinnerSchrader addresses, the digital transformation of organisations and the development of new digital products and services is a focus of investment for companies and will remain so in the following years. This is proved by the following three highlights from the recent past:

- In its September 2016 edition, the business magazine "brand eins" wrote: "70 per cent of German CEOs say that digital transformation is the most important challenge of the next three years."
- On an almost weekly basis, there are discussions in well-regarded publications about how the automotive industry – one of the key industries in the German economy and the sector in the SinnerSchrader client portfolio with the strongest revenue growth – will have to deal with the challenges of digitisation with regard to its products and their marketing so that it can remain viable in the long term.
- At the end of September, Deutsche Bank opened a "Digital Factory" in Frankfurt am Main. In future, the bank's own staff, service providers and start-ups will jointly develop the bank's digital products and services there.

In summary, the current good investment climate and the importance of the subject of digitisation for companies' growth put the development of SinnerSchrader in a good environment. However, predicting how things will develop in the 2016/2017 financial year remains a challenge:

- The start of the process of the UK's exit from the EU, which is expected in the spring of 2017, represents a considerable factor of uncertainty for the investment climate. Added to this, the outcome of the US presidential election is another external uncertainty and risk factor. Its dimensions could be very considerable and possibly be greater than those of Brexit.
- The growth in the importance of the subject of digitisation in recent years has greatly changed the competitive landscape within which SinnerSchrader has to assert itself. Thus, on the one hand, there is growing competition from strategy consultancies and IT integrators. On the other hand, the trend among many major companies, in line with the above-mentioned example of Deutsche Bank, of setting up their own "digital factories", is leading to much greater competitive intensity, both on the revenue side and on the resources side, the labour market, and to uncertainty about the development of the top line and the bottom line.

Business Forecast for 2016/2017

Against the background of its own good development in the last financial year and the positive, albeit somewhat risky, market environment, SinnerSchrader is starting the new 2016/2017 financial year with optimism.

SinnerSchrader is forecasting overall revenue for the Group of above € 56.0 million for this year. This means that SinnerSchrader is aiming overall to expand business volume by around 10 %, with the Interactive Marketing segment to grow by between 12.0 % and 12.5 %, the Interactive Media segment by 22 % to 23 % and the Interactive Commerce segment more slowly by around 6 %. In the Interactive Media segment, a contribution to revenue is even being expected from NEXT AUDIENCE because of the cooperation in the field of online media strategy and technology concluded with SAP AG. Due to the more intensive cooperation between the business segments, we are currently anticipating a significant rise in intersegment revenues. Above and beyond the development of the existing business units, in the current financial year newly acquired companies should also make their first revenue contributions to the Group as a whole.

SinnerSchrader expects the EBITA of the new financial year at Group level to be in the order of € 5.8 million to € 5.9 million. It should therefore grow more than twice as much as revenue. The forecast for the operating margin is around 10.5 %. The planned improvement in profit in comparison to the EBITA of the 2015/2016 financial year is largely from the Interactive Marketing segment. This segment is expecting an EBITA of over € 5.7 million for 2016/2017, around € 1 million more than in the previous

year. An EBITA contribution of between € 0.7 million and € 0.75 million is expected for the Interactive Media segment, also thanks to the new business perspective associated with the cooperation with SAP; that is an increase of around € 0.3 million in comparison to the 2015/2016 financial year.

Against the trend, an EBITA of around € 0.15 million lower, at around € 0.3 million, for the Interactive Commerce segment and around € 0.05 million higher costs for the holding are part of the plans for the 2016/2017 financial year.

The expectations of the operative margin are more than 12.5 % in the Interactive Marketing segment, a good 15 % in the Interactive Media segment and around 3.5 % in the Interactive Commerce segment.

SinnerSchrader is intending to extend personnel capacity to more than 475 full-time employees and to reduce the freelancer rate to around 9 % in the 2016/2017 financial year. The annual real net output per full-time employee should improve further towards a value in the order of € 100,000.

On the basis of the operating forecast, SinnerSchrader is anticipating net income of at least € 4 million, or € 0.35 per share, for the 2016/2017 financial year.

The development of revenue and earnings planned for the Group will also have a positive effect on the development of the net income of the AG. In the last financial year, the annual profit of the AG was below the net income of the Group, mainly due to the differences between the evaluations according to international accounting regulations and those under the German Commercial Code. An opposite effect is to be expected at the end of the 2016/2017 financial year. Furthermore, in the event of the occurrence of the business development planned for the Interactive Media segment business units, there will be a reversal of allowances in recognition of income on loans granted to NEXT AUDIENCE and/or a recovery of the acquisition costs of NEXT AUDIENCE partly depreciated in the preceding years. The annual profit of the AG should therefore be well above the figure of € 2.5 million for the previous year, and could actually surpass the Group net profit.

SinnerSchrader estimates that the positive development opportunities for the Group will predominate in the following year. After the first revenue and profit contributions from newly acquired business units are already expected for the 2016/2017 financial year, the contribution from acquisitions to the development of the Group will rise.

9 Risks and Opportunities of Future Business Development

In its business, SinnerSchrader is subject to many risks which could have a negative impact on the Group's and the AG's asset, financial, and income situation or could result in SinnerSchrader failing to meet the goals it has set for future business development.

Opportunities likewise regularly arise for SinnerSchrader which, if taken up, have a positive influence on the income, financial and assets status of the Group and the AG, or which may result in SinnerSchrader exceeding its targets for future business developments. As a rule, endeavouring to take advantage of opportunities as they arise makes it necessary to take new risks or deem existing risks to be more significant.

It is necessary to take risks when engaged in entrepreneurial activity aimed at earning profits. To ensure that the success is sustainable, it is important to manage these risks. On the one hand, this means evaluating them for probability of occurrence and the possible impact on the asset, financial, and income situation and continuously monitoring them. On the other hand, it means identifying measures with which risks can be limited or avoided and – with regard to the Group's own core expertise, financial strength, and the costs of the relevant measures – defining which limitation or avoidance measures can be taken and to what extent for which risks.

9.1 Key Features of the Internal Control and Risk Management System with Respect to the (Group) Accounting Process Pursuant to Articles 289 Para. 5 and 315 Para. 2 No. 5 of the German Commercial Code

In managing the Group, it is one of the key tasks of the Management Board to define general conditions and processes for risk management for the SinnerSchrader Group, to monitor compliance with them, and to regularly analyse the development of the risks in each division with the managers of the operating units and administrative divisions.

In principle, SinnerSchrader's risk management system also aims to secure the shareholders' equity base for the long term and achieve an appropriate return on invested capital. The Group strives for a high shareholders' equity rate in order to guarantee the independence and competitiveness of the Company and the continued existence of the operative companies, and to finance both organic and inorganic growth.

The SinnerSchrader Group's risk management system and the risk profiles of the individual divisions are documented in a risk manual. An employee from the financial division of the AG has been appointed the Group's risk commissioner and has been commissioned to subject the specified risk management system to regular internal evaluation and to document the results in a risk report to the Management Board at least once a year. Furthermore, it is the task of the risk commissioner to randomly analyse individual divisions on behalf of the Management Board with regard to how far the specified measures to limit or avoid risks are being implemented.

It is the responsibility of the managers of the individual divisions to continuously monitor and manage the risks in their own divisions. If there is a significant increase in the degree of individual risks above a specified threshold, they are required to report it immediately to the Management Board.

Good risk management depends on quickly and reliably providing information to the management about the course of business. To this end, SinnerSchrader has set up a controlling and reporting system which reports on a monthly basis on the development of key business data in the individual divisions and on the financial results.

The risk management system of the SinnerSchrader Group also comprises the accounting-related processes in the managing AG and in the subsidiaries included in the Consolidated Financial Statements. The aim is to use principles, procedures and controls to ensure financial statements that conform with the rules and to prevent major misstatements within the context of external reporting.

Risk management in the accounting process is based on uniform balance sheet rules across the Group, compliance with which is regularly monitored by the central controlling and accounting divisions located within SinnerSchrader AG. Furthermore, a central bookkeeping system based on Microsoft Dynamics NAV has been implemented and is managed and posted to

by the central accounting department. In the 2015/2016 financial year, the actively operating companies were all incorporated into this central accounting system.

Another key aspect of the accounting-related risk management system is the drawing up of monthly financial statements that are the basis for a monthly reporting system across all business units, segments and companies. In addition to a representation of the monthly figures and the cumulative figures for the current financial year, the monthly reports include an updated forecast for the year as a whole. Furthermore, they include comparisons to the plan and the previous year and the most recent forecast with respect to the key figures in the Statements of Operations and to the key operative indicators. The reports are the starting point for review talks taking place once a month between the Management Board of SinnerSchrader AG and the heads of the relevant unit and/or company. These talks are prepared by the central Controlling department and are used for the explanation of the key developments in the course of business and thus for validating the monthly figures.

Close interaction between central controlling and the accounting system is also a factor in risk management in the accounting process. Figures for the individual companies, parts of the Group and the Group as a whole must correspond to the figures posted in each case.

In order to ensure that the accounting system always complies with statutory requirements, the employees in the accounting department regularly take part in internal or external training. Furthermore, complex and new states of affairs and processes of major importance are subjected to an audit by the official auditors during the year with respect to correct representation in the books of the Company concerned and the Group; if necessary, SinnerSchrader AG will also avail itself of the expertise of other specialists.

The cornerstones of the accounting-related control system are appropriate access rules and booking authorisations for the bookkeeping system and the application of a strict dual-control principle as the most important control instrument.

Furthermore, internal guidelines are used to instigate payments and to invest liquid funds to ensure the company assets.

9.2 Risks

The following shows significant risks affecting the future development of the income, financial and assets status of the SinnerSchrader Group. They also have a direct effect on SinnerSchrader AG by way of the profit and loss transfer agreements and the participating interests.

The risk profile of the SinnerSchrader Group changed in the 2015/2016 financial year due to the decision taken in June 2015 to withdraw from the NEXT AUDIENCE business. In the financial year, no more advance input went into the development of a company product that was to be retrieved by way of subsequent, still uncertain, revenue streams from marketing it.

The withdrawal from the NEXT AUDIENCE business largely went to plan in the 2015/2016 financial year and did not make any further risks discernible. The total loss of the advance payments made for development of the NEXT AUDIENCE Platform and in setting up the marketing and support organisation assumed in the Annual Report as at 31 August 2015 was compensated to a small degree by the sale of the usage rights to the software.

With regard to the 2016/2017 financial year and the years following, SinnerSchrader estimates that the following risk fields have become particularly relevant:

- The dimension of the projects and budgets for which the services of SinnerSchrader are required has increased perceptibly in the past two financial years. The risk of delivering and supervising required services in a good quality for a reasonable margin, despite possible commitments to fixed prices, increases with the scale of projects.
- Strategy and systems consulting companies, such as McKinsey and Accenture, have identified the digital transformation and marketing technology market as a field for growth for themselves in the volume of business in future and have, among other things, added creation service to their current range of competences through acquisitions. This means that in Germany SinnerSchrader now in some cases competes directly with these new rivals, who generally have established contacts to decision-makers and are financially stronger, for major digitisation projects and also in terms of specialised staff.
- So-called digital factories or in-house agencies that have been set up (or are about to be set up) by some of the major corporations in Germany in the last two years following a consultancy trend, also increase the competitive pressure on both sides.

- Due to the surprising decision in June 2016 by the British electorate to leave the European Union and due to the equally unexpected victory of the candidate Donald Trump in the US presidential election, uncertainties with respect to economic development have arisen vis-a-vis the original positive expectations.

In View of the growth and the continued expansion of the business activities, other risks remain highly significant. These are the risks associated with the management of acquired subsidiaries, the management of locations – with the location in Prague this has included a country abroad – and the management of complexity.

In the following, individual risk areas identified as being important will be explained in more detail. This selection of risks does not mean that there can be no significant impact on the asset, financial, and economic situation of SinnerSchrader from other risks that have not been mentioned.

Economic Risks

The general economic development influences the volume of investments in IT and internet services as well as expenditure on online marketing and supporting services. A deterioration in the economic situation could reduce the market volume addressed by SinnerSchrader with regard to quantity and price. The measures for capacity adjustment which are necessary as a reaction to such a development may be effective only with a time lag and would lead to costs for restructuring measures. From the development of the 2012/2013 financial year, SinnerSchrader concluded that demand for its services had become more sensitive to the economic situation. This was confirmed again in autumn 2014.

Competition

Competition in the market for internet services is still intensive. The market is fragmented and the number of competitors high. Furthermore, new providers with a wider service portfolio and international business activities are crowding onto the market. Besides, major international advertising networks and major system integrators and IT consulting firms have intensified their activities on the market on which SinnerSchrader sells its services. The future development of SinnerSchrader largely depends on how well the Company succeeds in holding its own on the market with adequate prices for its services.

The extent to which the procurement of programming services in emerging nations becomes more important for competitiveness in relation to the individual developments offered by SinnerSchrader is also significant in this context. At its office in Prague, SinnerSchrader currently only has limited access to relevant sources and would only be able to establish or expand these, if required, with a delay. Bigger competitors with an international market presence already have relevant structures or would be able to establish them more quickly.

Operational Risks

In the 2015/2016 financial year, SinnerSchrader earned around 19 % (previous year: 16 %) of its net revenues with one client; the ten biggest clients together accounted for around 74 % (previous year: 74 %) of the net revenues. It would only be possible to compensate for the loss of the business of these important clients after a considerable period of time, if at all, during which it would not be possible to reduce costs correspondingly.

Since the revenues of the Group are not usually secured by long-term contracts, but instead largely come about on the basis of individual orders for a limited period, revenue plans are subject to a high degree of uncertainty. The orders on hand generally do not significantly exceed a quarterly revenue.

SinnerSchrader processes a major part of its revenues within the framework of fixed price agreements. Because of the complexity and the high technical demands, costs originally calculated may be exceeded, resulting in unplanned losses. Furthermore, SinnerSchrader assumes standard guarantee and liability stipulations within the framework of project contracts which can result in considerable follow-up costs for individual projects.

Some of the projects that SinnerSchrader has completed for renowned clients are associated with a considerable effect on the public. Quality deficits in the provision of services, especially those that enable unauthorised access to personal data, can result in a negative external impact that would greatly impair the sale of services and thus the future development of the business. The measures taken to reduce the risk include internal programming standards, not least those concerning security matters, reviews of software and system architectures by an IT security specialist, and penetration tests carried out by external service providers as part of quality management.

Within the context of providing its services, SinnerSchrader sometimes has access to the personal data of its clients' customers. This data could be abused as a result of deliberate or negligent acts by its employees. In addition to the directly resultant damage, if such an incident were to become known, the associated loss of confidence in SinnerSchrader would make the sale of its services much more difficult. SinnerSchrader addresses this risk with appropriate access restrictions and operating and authorisation concepts, which are subject to regular review by the internal IT security commissioner and the data protection commissioner.

In the Interactive Commerce segment, SinnerSchrader offers to develop, maintain, and operate online sales channels for companies in return for a share of the revenues; this service includes fulfilment, payment transactions, customer care, and, where appropriate, online marketing. Since development and start-up costs are at least partly to be borne by SinnerSchrader, contracts lasting several years are concluded with clients, so that SinnerSchrader can cover its initial investment and generate a positive total return from the project during the course of the contract. Negative developments on the part of the client, e.g. a deterioration in the perception of the brand, a deterioration in the relative competitive position of the client in its industry or a bankruptcy can mean that SinnerSchrader cannot earn back its initial investment with an adequate return.

Personnel Risks

The success of SinnerSchrader is heavily dependent on the qualification and motivation of its staff. Particular importance is attached to some employees in key positions. If SinnerSchrader does not succeed in attracting and retaining enough qualified specialists and talented young staff at adequate costs, its further growth and success could be severely impaired.

Technological Risks

The market for IT and internet services is characterised by rapid change in the basic technologies used and by a level of standardisation which remains low. The future market success of SinnerSchrader depends on the extent to which the breadth and depth of the technological expertise can be kept at an adequate level and technological dead-ends can be avoided in view of the high employee orientation costs, with limited resources.

Risks from Acquisitions

SinnerSchrader is also interested in expanding its market position in Germany through targeted acquisitions. The success of acquisitions will depend on whether it is possible to integrate the acquired companies into the Group structure, and achieve intended strategic goals and synergies. In this context, acquisitions in the field of professional services entail the particular risk that the expertise, market knowledge, and client relations which are being acquired are rarely permanently tied to the acquired company. Unsuccessful integration can therefore quickly lead to the need for considerable depreciation or even a total loss of the investment.

Complexity Risks

In recent years SinnerSchrader has grown rapidly both organically and through acquisitions. Although the administrative structures have also been expanded, there is a risk that the SinnerSchrader Group will not promptly recognise undesirable developments in an area or will underestimate them because of the increased size and complexity of the Group. The undesirable development itself or the subsequent effort to remedy it can lead to considerable unplanned expenses.

Default and Liquidity Risks

Liquidity risks exist in the case of potential shortages of financial resources and the resulting increase in refinancing costs. The aim of liquidity management at SinnerSchrader is to secure its ability to pay at all times, in compliance with agreed terms of payment, by means of a sufficient amount of liquid funds. The Group monitors this amount of liquid funds, and only the available liquidity which is not considered to be necessary to balance fluctuation in the cash flow is invested on a somewhat longer term basis. Furthermore, when making a more long-term investment, it is ensured that the investment is made in securities than can be sold again at any time. Credit lines of € 2 million and € 2.5 million, respectively, were agreed with two banks in order to avoid shortages of liquidity in the short term; they had not been utilised on the reporting date.

On the one hand, credit risks arise for SinnerSchrader because services are generally billed after the rendering of a service with clients being granted the agreed as payment terms, and subsequently failing to meet the resulting payment obligations. SinnerSchrader limits this

risk by subjecting new clients to a regular credit assessment and by regularly monitoring clients' outstanding payment obligations.

On the other hand SinnerSchrader is subject to credit risks through holding liquid funds available as credits with banks and investing these liquid funds on the capital market. SinnerSchrader limits this risk by its choice of banking partners, doing business with several banks and restricting the credit rating of the investment instruments to a minimum credit rating of BBB or A3 for short-term investments.

The maximum failure rate results from the book values of the financial assets posted in the balance sheet or from the current values of the securities posted. SinnerSchrader held no securities as at 31 August 2014.

Risk of Changes in Market Prices

Currency risks: SinnerSchrader invoices almost all its revenues in euros, its suppliers mainly issue their invoices in euros, and the Company does not hold any notable assets in foreign currencies, so there are no significant foreign-currency risks for the Group.

Interest-rate risks: SinnerSchrader currently has no substantial interest-bearing financial liabilities and nor had the Company made any interest-bearing investments on the balance sheet date. There are thus no significant interest-rate risks.

Exchange-rate risks: SinnerSchrader holds no shares in other listed companies. Neither does SinnerSchrader purchase any raw materials on markets with formations of the market price. There are thus no exchange-rate risks at SinnerSchrader.

9.3 Opportunities

The risks are countered by opportunities, and SinnerSchrader could exceed its goals if they occur. The main opportunities lie with existing clients, the "SinnerSchrader" brand name, the positive signals for the development of the companies taken over, and the performance of some key members of staff, especially those with sales and customer-care tasks. Above and beyond what is assumed in the plans, these factors could result in the acquisition of large new high-potential clients or currently unforeseeable individual orders from existing clients.

The fact that the field of activities has expanded beyond the scope of current topics comprising marketing, advertising and sales to cover the digital transformation of whole companies and the design and development of new products and services is a special opportunity. If SinnerSchrader manages to use its specific competence and experience profile and its 20 years of experience in digital projects to position itself in the long run as a competent partner performing these tasks for major companies, it may be possible to achieve higher order volumes, longer-term client loyalty and higher margins overall.

Among the business units in the Group, synergies on the sales side could result in excess of the scope currently assumed in the plan and contribute towards extending the client base.

In the 2013/2014 financial year, SinnerSchrader established the new business segment of content marketing with its own editorial team and infrastructure and confirmed the success it achieved in its first year in the 2014/2015 and 2015/2016 financial years. Plans for the Group to date still contain somewhat cautious forecasts for the development of this new segment. A stronger response from the market to the range of services developed by SinnerSchrader would create opportunities for the Group to increase its revenue and profit.

The speed of change in the area of digital technologies is still fast. This means that opportunities are regularly presented the same as in the case of content marketing, to develop new service fields for SinnerSchrader, to gain them and roll them out efficiently for the existing clients.

A rising demand for the services offered by SinnerSchrader alone could result in SinnerSchrader being able to achieve higher prices on the market than assumed in the plans.

Moreover, successful acquisitions could bring about considerable positive change to the planned development, since the forecasts are based only on an organic development of the companies in the SinnerSchrader Group.

SinnerSchrader is currently mainly active on the German market, but the Company works for major, internationally established and internationally operating companies. Client relations with German groups may result in the opportunity to globalise SinnerSchrader business and establish the Company on international markets.

9.4 Overall Classification of Risks and Chances

The past two financial years – 2014/2015 and 2015/2016 – have shown that risks that occur and opportunities that present themselves can cause considerable negative and/or positive deviations from planned assets, income and financial targets. However, generally, on the basis of available information, at present no risks can be discerned which would put the continued existence of the SinnerSchrader Group or SinnerSchrader AG at risk. The asset and financial situation of the Group remains stable.

The speed at which the digitisation of companies, particularly in the marketing sector, is progressing, and at which companies and their range of products and services are changing is still high. This will also result in many opportunities in future, in spite of all the risks. SinnerSchrader continues to see itself as being well-positioned and well-equipped to use these opportunities with a focus on the positive development of the Company.

Hamburg, 14 November 2016

The Management Board

Matthias Schrader Thomas Dyckhoff

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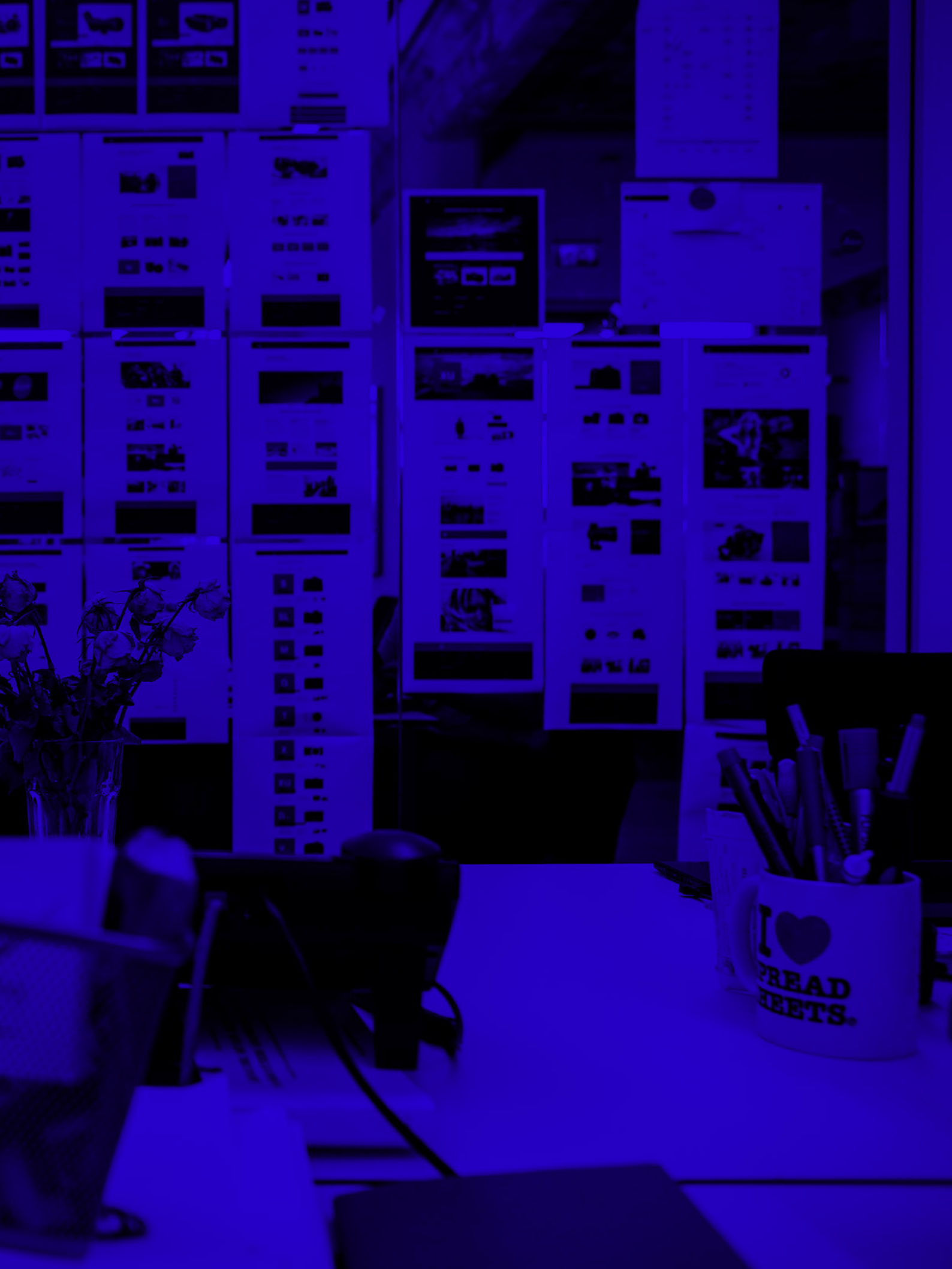
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Balance Sheets

As at 31 August 2016

Assets in €	NOTES	31.08.2016	31.08.2015
Current assets:			
Liquid funds	2.11	6,098,619	5,558,880
Cash and cash equivalents		**6,098,619**	**5,558,880**
Accounts receivable, net of allowances for doubtful accounts of € 35,350 and € 52,150 as at 31.08.2016 and 31.08.2015, respectively	2.9	7,946,613	10,325,660
Unbilled revenues	4.3	4,244,831	3,784,261
Tax receivables	4.4	22,814	22,838
Other current assets and prepaid expenses	4.5	756,328	696,172
Total current assets		**19,069,205**	**20,387,811**
Non-current assets:			
Goodwill	4.1	4,820,937	4,820,937
Other intangible assets	4.1	283,630	177,682
Property and equipment	4.1	1,419,025	1,602,527
Tax receivables	4.4	46,593	68,649
Deferred tax assets	5.5	803,653	672,475
Total non-current assets		**7,373,838**	**7,342,270**
Total assets		**26,443,043**	**27,730,081**

Liabilities and shareholders' equity in €	NOTES	31.08.2016	31.08.2015
Current liabilities:			
Trade accounts payable	2.13	1,845,111	3,380,144
Advance payments received	4.3	809,828	1,985,738
Accrued expenses	4.10	3,570,156	3,063,446
Tax liabilities	4.9	1,843,568	1,575,196
Liabilities and other payables	4.11	1,974,649	2,470,842
Total current liabilities		**10,043,312**	**12,475,366**
Non-current liabilities:			
Deferred tax liabilities	5.5	530,122	295,714
Total non-current liabilities		**530,122**	**295,714**
Shareholders' equity:			
Subscribed capital			
Common stock, stated value €1, issued: 11,542,764 and 11,542,764, outstanding: 11,244,722 and 11,483,525 as at 31.08.2016 and 31.08.2015, respectively	4.8	11,542,764	11,542,764
Treasury stock, 298,042 and 59,239 as at 31.08.2016 and 31.08.2015, respectively	4.8	–1,158,520	–103,802
Additional paid-in capital	4.8	3,846,406	3,926,544
Reserves for share-based compensation	4.8	299,152	266,598
Accumulated deficit (incl. revenue reserves)	4.8	1,312,754	–699,403
Other comprehensive income	4.8	27,053	26,300
Total shareholders' equity		**15,869,609**	**14,959,001**
Total liabilities and shareholders' equity		**26,443,043**	**27,730,081**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Operations

From 1 September 2015 to 31 August 2016

in €	NOTES	2015/2016	2014/2015
Gross revenues	2.17	**51,353,375**	**51,975,360**
Media costs		–222,040	–4,285,151
Total revenues, net		**51,131,335**	**47,690,209**
Cost of revenues		–38,337,456	–35,658,579
Gross profit		**12,793,879**	**12,031,630**
Selling and marketing expenses		–2,755,455	–3,756,709
General and administrative expenses		–5,281,582	–5,449,081
Research and development expenses	2.19	–453,425	–1,197,388
Other income and expenses, net	5.3	431,411	454,556
Operating income		**4,734,828**	**2,083,008**
Financial income	5.4	1,778	3,169
Financial expenses	5.4	–2,297	–4,686
Income before provision for income tax		**4,734,309**	**2,081,491**
Income tax	5.5	–1,361,124	–563,104
Net income		**3,373,185**	**1,518,387**
Net income attributable to the shareholders of SinnerSchrader AG		**3,373,185**	**1,518,387**
Net income per share (basic)		0.30	0.13
Net income per share (diluted)		0.29	0.13
Weighted average shares outstanding (basic)		11,382,776	11,313,720
Weighted average shares outstanding (diluted)		11,488,899	11,356,587

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

From 1 September 2015 to 31 August 2016

in €	NOTES	2015/2016	2014/2015
Net income		**3,373,185**	**1,518,387**
Other comprehensive income			
Items that may be reclassified to profit or loss in future periods			
Foreign currency translation adjustment	2.5	753	1,138
Changes in shareholders' equity not affecting net income		**753**	**1,138**
Consolidated comprehensive income		**3,373,938**	**1,519,525**
Comprehensive income attributable to the shareholders of SinnerSchrader AG		**3,373,938**	**1,519,525**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

From 1 September 2015 to 31 August 2016

in €	NOTES	NUMBER OF SHARES OUTSTANDING	COMMON STOCK
Balance as at 31.08.2014		**11,235,858**	**11,542,764**
Comprehensive income		—	—
Disbursed dividend	4.8	—	—
Deferred compensation	4.8	—	—
Re-issuance of treasury stock	4.8	247,667	—
Balance as at 31.08.2015		**11,483,525**	**11,542,764**
Comprehensive income		—	—
Disbursed dividend	4.8	—	—
Deferred compensation	4.8	—	—
Purchase of treasury stock	4.8	–288,803	
Re-issuance of treasury stock	4.8	50,000	—
Balance as at 31.08.2016		**11,244,722**	**11,542,764**

The accompanying notes are an integral part of these Consolidated Financial Statements.

TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	RESERVES FOR SHARE-BASED COMPENSATION	RETAINED EARNINGS/LOSSES	OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
–537,778	**3,654,636**	**260,077**	**–869,487**	**25,162**	**14,075,374**
—	—	—	1,518,387	1,138	1,519,525
—	—	—	–1,348,303	—	–1,348,303
—	—	6,521	—	—	6,521
433,976	271,908	—	—	—	705,884
–103,802	**3,926,544**	**266,598**	**–699,403**	**26,300**	**14,959,001**
—	—	—	3,373,185	753	3,373,938
—	—	—	–1,361,028	—	–1,361,028
—	—	32,554	—	—	32,554
–1,230,356	—	—	—	—	–1,230,356
175,638	–80,138	—	—	—	95,500
–1,158,520	**3,846,406**	**299,152**	**1,312,754**	**27,053**	**15,869,609**

Consolidated Statements of Cash Flows

From 1 September 2015 to 31 August 2016

in €	NOTES	2015/2016	2014/2015
Cash flows from operating activities:			
Net income		3,373,185	1,518,387
Adjustments to reconcile net income to net cash used in operating activities:			
Write-ups on intangible assets	4.1	–200,000	—
Depreciation of property and equipment	4.1	716,900	1,742,683
Share-based compensation	6	32,554	6,521
Bad debt expenses	2.9	–16,800	16,465
Gains/losses on the disposal of fixed assets	5.3	26,238	4,938
Deferred tax provision	5.5	103,230	–1,040,921
Changes in assets and liabilities:			
Accounts receivable	2.9	2,395,847	–361,121
Unbilled revenues	4.3	–460,570	772,198
Tax receivables	4.4	22,080	14,316
Other current assets	4.5	–60,156	475,917
Accounts payable, deferred revenues and other liabilities	4.11	–3,207,136	–993,274
Tax liabilities	4.9	268,372	1,029,932
Other accrued expenses	4.10	506,710	–1,506,825
Net cash provided by (used in) operating activities		**3,500,454**	**1,679,216**
Cash flows from investing activities:			
Acquisition of subsidiary companies less acquired liquid funds	2.3	—	–300,000
Purchase of property and equipment	4.1	–487,893	–477,659
Proceeds from the sale of equipment	4.1	22,309	19,807
Net cash provided by (used in) investing activities		**–465,584**	**–757,852**
Cash flows from financing activities:			
Payment to shareholders	4.8	–1,361,028	–1,348,303
Payment for treasury stock	4.8	–1,230,356	—
Incoming payment for treasury stock	4.8	95,500	152,084
Net cash provided by (used in) financing activities		**–2,495,884**	**–1,196,219**
Net effect of rate changes on cash and cash equivalents		753	1,138
Net increase/decrease in cash and cash equivalents		**539,739**	**–273,717**
Cash and cash equivalents at beginning of period	4.7	5,558,880	5,832,597
Cash and cash equivalents at end of period	4.7	6,098,619	5,558,880

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes

for the 2015/2016 financial year

1 General Foundations and Business Activities of the Company

The Consolidated Financial Statements of SinnerSchrader Aktiengesellschaft (hereinafter referred to as "SinnerSchrader AG" or "AG") and its subsidiaries (hereinafter referred to as "SinnerSchrader Group", "SinnerSchrader" or "Group") for the 2015/2016 financial year were completed according to the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") in force in the European Union (EU) on the reporting date of 31 August 2016, taking account of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and correspond to the supplementary requirements of Article 315a of the German Commercial Code ("HGB"). The financial statements were prepared on a going concern basis.

The Consolidated Financial Statements as at 31 August 2015 were released by the Management Board for submission to the Supervisory Board on 16 November 2015. The Consolidated Financial Statements will probably be approved at the balance sheet meeting of the Supervisory Board on 23 November 2015; until the time of approval it is possible for the Supervisory Board to amend the Consolidated Financial Statements.

The SinnerSchrader Group is a service company operating primarily in Germany, with the parent company based at Völckersstraße 38, 22765 Hamburg, Germany. SinnerSchrader supports its clients with the services it provides for the use of digital marketing technologies, mainly on the internet. SinnerSchrader renders the following individual services:

- Development, design, implementation and management of customised digital sales and marketing platforms and other interactive IT systems
- Consulting on and the development, design and technical implementation of digital advertising, communication and other marketing measures as well as measures for brand management
- Development, design and implementation of applications for mobile devices
- Technical operation and administration of digital marketing platforms and internet-based IT systems
- Structuring, analysis, and preparation of data on the behaviour of users of interactive systems
- Planning and implementation of advertising campaigns on the internet with the emphasis on performance-oriented display advertising and delivery, success measurement and data-based optimisation of digital advertising media using a software-as-a-service model (until December 2015)
- Consultancy on digital media strategies and digital media technologies and tools (since January 2016)
- Planning and drafting concepts for marketing strategies on the internet based on editorial content, and their implementation in daily editing operations ("content marketing")
- Complete performance of setting up and managing the online sales channel

The SinnerSchrader Group commenced its activities in 1996. SinnerSchrader AG was founded in 1999 as a new managing parent company and went public in the same year. The 11,542,764 issued SinnerSchrader AG shares have all been approved for trade in the regulated market Prime Standard segment of the Frankfurt Stock Exchange.

2 Presentation of the Main Evaluation and Balancing Methods

2.1 Financial Year

The Consolidated Financial Statements of the Sinner-Schrader Group refer to the financial years covering 1 September 2015 to 31 August 2016 ("2015/2016") and from 1 September 2014 to 31 August 2015 ("2014/2015") as well as the reporting dates of 31 August 2016 and 31 August 2015, respectively.

2.2 New Accounting Principles

The standards and interpretations that have to be applied and that had been adopted by 31 August 2016 were all observed when the Consolidated Financial Statements for the 2015/2016 financial year were prepared.

In the previous years and in the 2015/2016 financial year, the IASB issued new standards and interpretations and amendments to existing standards and interpretations which did not yet have to be applied to Consolidated Financial Statements for the 2015/2016 financial year:

IAS/IFRS/IFRIC	NEW/AMENDMENT	CONTENT	APPLICATION DATE[1)]
Published before the 2015/2016 financial year			
IFRS 9	New	Financial Instruments: Revising and Replacing all the Existing Standards – Classification and Measurement	1 January 2018
IFRS 11	Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	New	Deferral Accounts	1 January 2016
IFRS 15	New	Revenue from Contracts with Customers	1 January 2018
IFRS 10, IAS 28	Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IAS 1	Amendment	Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IFRS 10, IFRS 12, IAS 28	Amendment	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 16, IAS 38	Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41	Amendment	Bearer Plants	1 January 2016
IAS 27	Amendment	Equity Method in Separate Financial Statements	1 January 2016
IFRS 5, IFRS 7, IAS 19, IAS 34	Amendment	Annual Improvement Project 2012–2014	1 July 2016
Published in the 2015/2016 financial year			
IFRS 16	New	Leases	1 January 2019
IAS 12	Amendment	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 12	Amendment	Accounting for uncertainties in income taxes	outstanding
IAS 21	Amendment	Foreign currency transactions and advance consideration	outstanding
IAS 40	Amendment	Transfers of investment property	outstanding
IFRS 1, IFRS 12, IAS 28	Amendment	Annual Improvement Project 2014–2016	outstanding

1) The new or adapted standards must be applied for financial years beginning on or after the application date.

The application of some of the new standards/interpretations or their amendments presumes that they have been adopted within the context of the EU's IFRS endorsement procedure.

These standards and applications will not be applied by SinnerSchrader AG until their application is mandatory and they have been endorsed by the European Commission.

SinnerSchrader will apply IFRS 15 "Revenue from Contracts with Customers", for the first time in the 2018/2019 financial year. The new standard for the realisation of proceeds may have an impact on the assets and income status of the SinnerSchrader Group, particularly in the following newly regulated or clearly specified subject areas:

- Opportunity to realise total revenues relating to a period
- Recognition and measurement of costs for obtaining a contract

IFRS 15.35. c specifies that the recognition of revenue over time requires that an entity's performance creates an asset specific to the customer without an alternative use for the entity. In this case SinnerSchrader must always have the right to settlement for performances already completed in the event that a client cancels a contract for reasons which are not the responsibility of SinnerSchrader. SinnerSchrader creates assets specific to a customer without any alternative use. A check on whether or not SinnerSchrader is always legally entitled to fully invoice services rendered so far has not been carried out yet. In addition to the general German Civil Code ("BGB") regulations, the agreements based on the relevant individual contracts are significant in this case. Should a check on these project assignments show that conditions for the recognition of revenue over time do not exist, the relevant amount of revenue would only be realised in later periods. The respective project-related margin would in consequence only need to be recognised in following periods. Based on the balance sheet date of 31 August 2016, SinnerSchrader recognises project assignments as yet uncompleted according to IAS 11 with an order volume of € 9,557,057 for which this new regulation would be relevant.

With respect to the contracts already concluded, SinnerSchrader is assuming a recognition of revenue over time, since the contracts pursuant to Article 649 of the German Civil Code secure the claims of SinnerSchrader.

SinnerSchrader wins the majority of its new contracts through invitations to tender. Under IFRS 15.91, the assignment costs incurred as part of an invitation to tender could in some cases be classified as an asset. Under IFRS 15.93, this requires that these costs only become payable when a contract is won; they are not incurred if this is not the case. This means that a large proportion of internal costs incurred are not to be capitalised as assets. In this respect, no significant effects are expected.

IFRS 16 deals with leases and the earliest stage at which it may be applied in the EU is for financial years starting on 1 January 2019. It has not yet been endorsed within the EU, meaning that application in later periods is also possible. SinnerSchrader AG will apply the amendment in the 2019/2020 financial year at the earliest. Where applicable, the standard may be applied retrospectively with transitional relief being used.

According to IFRS 16, a lease is in place if the lessor contractually grants the lessee the right to use an identified asset for a specified period and the lessor in turn receives a return from the lessee.

In future, the lessee must capitalise a right to use the leased object and recognise the obligation to pay arising from the lease contract as a liability. The lease liability will be set at the level of the cash value of the future lease payments.

Depending on the design of the lease, the expense is spread with degressive or straight-line reduction over the term of the lease.

This leads to a reclassification of all rental and lease contracts that have been entered into, irrespective of whether they have previously been posted as finance leasing. The relief provisions laid down in IFRS 16 (posting leases with an order value below € 5,000) will not result in any major relief.

According to the current assessment, the future application of IFRS 16 will result in a the balance sheet total being bigger and the shareholders' equity ratio being smaller.

Current estimations show that the application of the remaining new standards in future will not have any significant effect on the representation of the income, financial and assets status of the Group.

2.3 Consolidation Group

The consolidation group as at 31 August 2016 consisted of the AG as well as the following direct or indirect subsidiaries of the AG, each of which was fully consolidated:

1. SinnerSchrader Deutschland GmbH, Hamburg, Germany
2. Commerce Plus GmbH, Hamburg, Germany
3. Commerce Plus Consulting GmbH, Hamburg, Germany
4. NEXT AUDIENCE GmbH, Hamburg, Germany
5. SinnerSchrader Content GmbH, Hamburg, Germany
6. SinnerSchrader Mobile GmbH, Berlin, Germany
7. Swipe GmbH, Hamburg, Germany
8. SinnerSchrader Praha s.r.o., Prague, Czech Republic
9. SinnerSchrader UK Ltd., London, UK
10. SinnerSchrader Benelux BV, Rotterdam, The Netherlands

The consolidation group has not changed in comparison to the status on 31 August 2015. At the end of the year of the report, only the decisions regarding the renaming of SinnerSchrader Mobile GmbH to SinnerSchrader Swipe GmbH, Swipe GmbH to SinnerSchrader Swipe Hamburg GmbH and Commerce Plus GmbH to SinnerSchrader Commerce GmbH had been taken, all of which were entered in the Commercial Register at the beginning of September 2016.

2.4 Consolidation Principles

The Consolidated Financial Statements were prepared on the basis of the individual financial statements of the abovementioned Group companies, which are compiled according to the relevant local accounting regulations, in particular the regulations of the German Commercial Code, with any necessary adjustments to IFRS being made. For the Consolidated Financial Statements, the same balancing and evaluation principles were used as a basis for the same business incidents and events under similar conditions.

Internal Group transactions and balances between affiliated companies were all eliminated.

For SinnerSchrader Benelux BV, interim financial statements were drawn up as at the reporting date of the parent company because it has a different financial year from its parent company. The financial statements of all other companies included in the consolidation group are prepared according to the reporting date of the parent company. This is the same as the Group reporting date.

2.5 Report Currency and Currency Conversion

The euro (€) is the functional currency of SinnerSchrader AG; it is also the Group's report currency. The report is cited in full euro amounts.

The functional currency of the foreign subsidiaries outside the euro zone – the group of European countries that have introduced the euro as their currency – is the relevant national currency for legally and commercially independent companies. The functional currency of legally independent but commercially dependent companies included in the Consolidated Financial Statements is the euro.

The financial statements of the foreign subsidiaries are converted into euros, with the assets and debts of the legally and commercially independent subsidiaries being converted at the conversion rate of the balance sheet date and the sales revenues, cost of sales revenues, and other expenditure and income being converted at the average rate for the financial year in question as an approximation of the transaction rate. Accumulated currency profits and currency losses from foreign currency conversion for the Annual Financial Statements are reported as other profit. Monetary items in the financial statements of companies considered to be economically dependent are converted as at the reporting date and non-monetary items at the historic exchange rate. Items in the Statement of Operations are converted at the average rate as an approximation of the transaction rate. Exchange differences are recognised in the profit or loss.

Where relevant, currency profits and losses from foreign currency transactions are recognised with an effect on profits.

2.6 Estimates and Assumptions

Drawing up consolidated financial statements according to IFRS requires the management to make estimates and assumptions that have an influence on the values posted for assets and liabilities and the information on contingent claims and contingent liabilities on the balance sheet date and on the posted income and expenses for the period covered by the report. The actual results may deviate from these estimates. Major estimates concern the application of the percentage-of-completion (PoC) method for revenue realisation, the posting of accrued expenses, and the purchase price instalments which depend on the future results of acquired business operations and companies.

An estimation of the degree of completion is particularly significant in the case of the PoC method. In order to determine the progress made, the costs for the contract as a whole, the remaining costs of completion, total contract revenues and the contract risks must be estimated. Estimations in connection with such production orders are continuously verified and adjusted if necessary.

Determining reserves for contingent liabilities is to a large extent based on estimations. The management bases estimations of amounts for reserves on empirical values from similar transactions, taking account of all the indications from the period up to the preparation of the Consolidated Financial Statements.

Contractually defined criteria are taken into account when purchase price obligations resulting from earn-out agreements are valued. The corporate planning of the respective company is generally taken into account in this case. The actual development of acquired companies may deviate from these estimations. The amount of earn-out obligations is thus regularly checked and adjusted if necessary.

Estimates are also made in connection with determining the reduction in the value of fixed assets and intangible assets. Indications of a reduction in value, the estimates of future cash flows, and the determination of the current value to be ascribed to assets (or groups of assets) are associated with major estimates which the management must make regarding the identification and review of signs of a reduction in value, of the expected cash flows, the applicable discount rates, the respective usage periods, and the residual value. To determine the amount achievable by a cash-generating unit ("CGU"), assumptions are also made regarding the development of revenues and markets which have a significant effect on the amount of the current value to be ascribed to goodwill.

Please see the individual items in the Annual Financial Statements for information on the book values of the assets and liabilities affected by estimation uncertainties on the reporting date.

2.7 Non-current Assets

2.7.1 Goodwill

The active difference between the procurement costs and the fair value of the identifiable assets and liabilities should be assumed to be the goodwill from a company purchase. Goodwill is not depreciated according to schedule, but subjected to an annual impairment test in accordance with IAS 36.

2.7.2 Intangible Assets

Intangible assets comprise software and client relationships and are subject to the balancing regulations of IAS 38.

Intangible assets are evaluated on receipt at their production or procurement costs. They are identified if it is probable that the future economic benefit to be assigned to the assets will come to the company and if the procurement costs of the assets can be reliably assessed. Costs for the procurement of software should be activated under intangible assets if they are not to be considered a component of the associated hardware.

After initial reporting, intangible assets are evaluated at their procurement costs minus the accumulated regular depreciation and the accumulated costs for impairment of value. The planned depreciation is linear over estimated usage periods. The depreciation period and method are reviewed annually at the end of each financial year.

Software

Software acquired directly against payment is depreciated linearly over an estimated usage period of at least three years. The costs that are incurred to reinstate or maintain the future economic benefit that a company can expect from the originally assessed performance of existing software should be recognised as an expense.

Internally Generated Software

Under IAS 38, internally generated software is capitalised at its production cost (development cost) if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of producing the asset can be measured reliably. Other requirements for capitalisation are the technical feasibility of completing the asset and the intention of the company to complete the intangible asset and use or sell it. Internally generated software is depreciated using the straight-line method over an estimated usage period of three to five years if its development has been completed on the balance sheet reporting date.

Intangible Assets Acquired in the Course of a Company Merger

Other intangible assets which are acquired in the course of a company merger are identified and reported separately from goodwill in accordance with IFRS 3 as long as they meet the definition of intangible assets and the current value to be ascribed to them can be determined reliably. The procurement costs correspond to the current value to be ascribed to them at the time of acquisition. The scheduled depreciation of intangible assets is assigned to revenue costs or marketing costs depending on the type of asset.

After being reported for the first time, other intangible assets that were acquired in the context of a company merger are evaluated the same as directly acquired intangible assets with their procurement costs minus accumulated planned depreciation over the estimated usage period and minus accumulated unscheduled reductions in value if the estimated usage period is determined to be limited.

2.7.3 Tangible Assets

In accordance with IAS 16, tangible assets are posted as assets if it is probable that the future economic benefit associated with them will come to the company and if the procurement costs of the assets can be reliably assessed. Tangible assets are evaluated at the procurement costs minus accumulated regular and non-scheduled depreciation.

The acquisition costs include all services rendered in return for acquiring an asset and returning it to an operational state.

The property and equipment of SinnerSchrader comprises objects of company and business equipment, computer hardware, and leasehold improvements.

Depreciation is linear. A usage period of three years is usually assumed for computer hardware, four to eight years for other electronic and electrical devices and equipment, and eight to thirteen years for office furniture. Improvements to rented premises are depreciated over the estimated usage period or the residual term to the end of the tenancy, if this is shorter.

The cost of depreciation is included in the costs of sales revenues and operating expenses. The costs of repair and maintenance work are recorded as expenses.

In the event of the sale or decommissioning of tangible asset items, the relevant procurement costs and the accumulated depreciation are debited and any profit or loss posted in the Statements of Operations as other revenues or other expenses.

2.7.4 Reduction in Value of Non-current Assets

The posted value of asset items is reviewed if there are signs of non-scheduled reduction of value. Irrespective of whether there are indications of a reduction in value, the reporting of intangible assets which have not yet been completed or have an indefinite usage period, or of the goodwill resulting from company mergers, must be checked for recoverability.

If the posted value of an asset exceeds its achievable amount, non-scheduled depreciation is made according to IAS 36. The achievable amount is the net sale price or commercial value, whichever is higher. The net sale

price is the amount that can be achieved from a sale under standard market conditions less the sales costs; commercial value is the cash value of the expected income from further use of the asset and the sale value at the end of the usage period. The commercial value is determined individually for every asset or for the corresponding CGU.

If the reasons for non-scheduled depreciation are no longer given, the original value will be reinstated, except in the case of goodwill.

2.8 Financial Instruments

According to IAS 39, a financial instrument is a contract which leads to the creation of a financial asset for one company and the creation of a financial liability or an equity capital instrument for another.

In accordance with IAS 39, when they are first reported, financial instruments are to be posted with the current value to be ascribed to them, which usually corresponds to the procurement costs at the time of acquisition. Transaction costs are included in the first evaluation if no evaluation for fair value with an effect on profits takes place. Purchases and sales of financial instruments should be posted as at the trading day.

With respect to the subsequent evaluation, a distinction is made between various categories of financial instruments, including financial instruments held for trading purposes, financial instruments to be held until they are finally due, financial instruments available for sale, and credits and claims submitted by the company.

Financial instruments held for trading purposes and financial assets available for sale are evaluated at the current value without deduction of transaction costs in the subsequent evaluation. The current values are usually found from reporting date prices on financial markets. Profits and losses from the evaluation of financial instruments held for trading purposes are reported with an effect on profits. Profits and losses from the valuation of financial instruments available for sale are recorded directly as other income with no effect on profits until the financial instrument is sold, withdrawn or otherwise disposed of, or as soon as a permanent value reduction has been identified for it. Where necessary, profits and losses recorded directly in the shareholders' equity are posted under "Changes in shareholders' equity not affecting net income". Financial instruments held for trading purposes and available for sale are posted in current assets if their sale is planned in the next twelve months.

Financial instruments to be held to maturity are assessed at their amortised cost using the effective interest method. If the remaining period is up to twelve months, they are reported in current assets.

A financial asset is derecognised if the company economically or contractually loses the power of disposition over the financial asset. A financial liability is derecognised if the obligation upon which this liability is based is fulfilled, terminated or deleted.

IFRS 7 requires information on how current values are determined and on liquidity risk.

Fair value is the price that would be accepted between market participants on the measurement date for the sale of an asset, or that would be paid for the transfer of a debt. This applies irrespective of whether or not the price is directly observable or whether it has been estimated by application of a valuation method. Fair value is not always available as a market price. It frequently needs to be determined on the basis of various valuation parameters. Depending on the availability of observable parameters and their significance for ascertaining a fair value, the fair value is allocated to levels 1, 2 or 3. Sub-dividing is carried out according to the following specification:

Level 1: On the first level of the fair value hierarchy, the fair value is determined on the basis of publicly quoted market prices since the most objective indicators of the fair value of a financial asset or financial liability can be observed in an active market.

Level 2: If there is no active market for an instrument, a company must determine the fair value with the help of valuation models. These valuation models include the use of the latest business transactions between independent business partners who are experts and willing to enter into a contract, a comparison with the current fair value of other largely identical financial instruments, the use of the discounted cash flow (DCF) method or option price models. The fair value is estimated on the basis of the results of a valuation method which uses the largest amount of data possible from the market and relies as little as possible on company-specific data.

Level 3: The valuation models on this level are based on parameters that cannot be observed in the market.

2.9 Accounts Receivable and Unbilled Services

Accounts receivable are posted at their nominal value less appropriate value adjustments. The value of the claims is regularly checked on an individual basis. Value adjustments are derecognised in the case of identifiable individual risks. The receivable is derecognised if it is irrecoverable.

Services rendered for which no bills had been issued on the balance sheet date are reported as unbilled revenues.

The items both contain amounts from production orders, which are measured according to their progress (PoC method).

2.10 Other Financial Assets

Other financial assets are entered in the balance sheet at their nominal value or the recoverable amount, whichever is lower.

2.11 Funds

Funds comprise cash flows, bank credits available on a daily basis and fixed deposits with a term of less than three months. They are posted at their nominal value.

2.12 Statements of Cash Flows

The Statements of Cash Flows are prepared in accordance with IAS 7 using the indirect method (cash flows from operating activity) or the direct method (cash flows from investment or financing activity). Financial funds for which a change is reported in the Statement of Cash Flows comprise the funds defined under 2.11.

2.13 Trade Accounts Payable, Liabilities and other Payables

Trade accounts payable, liabilities and other payables are posted at the amount to be paid.

2.14 Accrued Expenses

According to IAS 37, accrued expenses are formed for legal and actual obligations that were incurred economically by the reporting date if it is probable that fulfilment of the obligation will lead to the Group funds being depleted and a reliable estimate of the level of the obligation can be made. Reserves are reviewed on every balance sheet date and adjusted to the best estimate in each case. The amount of reserves corresponds to the value of the expenses probably needed to fulfil the obligation. The accrued expenses take account of all recognisable obligations vis-à-vis third parties according to IAS 37.

2.15 Treasury Stock

Under IAS 32, treasury stock is posted at its procurement cost as a deducted item within the shareholders' equity. If treasury stock is re-issued, the deducted item is reduced and any difference between the value at the time of issue and the purchase costs may raise or lower the capital reserve.

2.16 Deferred Taxes

Under IAS 12, deferred tax claims or liabilities are to be posted in the balance sheet if there are differences between the posted values of assets and liabilities in the balance sheet under IFRS and those in the tax balance sheet that will reverse in future years ("temporary differences"). Furthermore, deferred tax claims must also be established for the future use of tax loss carry-forwards. Deferred tax claims and liabilities are to be determined on the basis of the liability method.

Deferred tax claims and liabilities from temporary differences must be determined separately for every tax subject. Tax claims should be posted only if or to the extent to which they are countered by tax liabilities or to which their realisation can be classified as probable through future taxable profits. Tax claims and liabilities are posted in a balanced form for a tax subject.

For the evaluation of the temporary differences or loss carry-forwards, the tax rates valid on the balance sheet date or, for a future reversal of temporary differences, the tax rates legally entered into force on the balance sheet date will be used.

Deferred tax expenditures or revenues are to be settled with no effect on profits if they relate to differences that do not have an impact on the Statements of Operations, such as valuation changes to financial assets available for sale. Deferred tax claims and tax debts are reported as non-current assets or debts in the balance sheet. They are not discounted.

2.17 Revenue Realisation

SinnerSchrader provides services of various kinds that are treated differently with respect to revenue realisation. In principle, SinnerSchrader realises revenues once the service has been performed according to the underlying contractual agreements and opportunities and risks have been transferred to the recipient of the service or the purchaser, if it is probable that the economic benefit from the business will flow into the company and the level of sales revenues can be reliably determined. The revenues are posted net, without turnover tax, discounts, client bonuses or deductions. They contain reimbursable expenses, such as travel expenses, if the client has been invoiced for them.

Project and Consultancy Services

Project and consultancy services are billed either according to actual expenditure or on the basis of a fixed price. If the result of a production order can be reliably assessed, the revenues and costs relating to the production order will be entered according to progress made on the balance sheet date. Progress made is determined on the basis of order costs incurred for work performed in relation to anticipated order costs.

If it is not possible to reliably determine the result of a production order, revenues relating to the production order are only entered in the amount of the order costs incurred which are likely to be recovered. Order costs are reported as expenditure in the period in which they arise.

If it is likely that the total order costs will exceed the total order revenues, the expected loss is immediately reported as expenditure.

Insofar as the order costs incurred up to the reporting date, plus reported profits and less reported losses, exceed the partial settlements, the excess amount is shown in the “Unbilled revenues” item.

Amounts received prior to rendering production work are reported under deposits received. Amounts billed for services already rendered which have not yet been paid by a client are included in “Accounts receivable”.

Media Services

SinnerSchrader performs services for its clients for planning and implementing advertising campaigns on the internet (media services). In the context of implementing advertising campaigns, SinnerSchrader buys advertising space at its own expense. In the course of billing for these media services, the costs for buying advertising space (media costs) are passed on to the clients together with a fixed payment or a payment calculated on the basis of the actual media costs.

In principle, revenues for media services are realised with or after the appearance of the advertising. In this connection, the entire amount to be charged to the client is recorded as gross revenues, and the amount reduced by the media costs that have been passed on to clients comprises the net revenues.

Realised revenues that have not yet been billed are posted as unbilled services in the balance sheet, reduced by deposits received for the advertising campaigns and including deposits paid for purchasing advertising space as part of advertising campaigns.

After NEXT AUDIENCE GmbH discontinued its business activity as at 31 December 2015, SinnerSchrader no longer provides any media services.

Operating Services

SinnerSchrader performs operating services for its clients, which in particular also include the 24-hour monitoring and management of internet applications with an on-call service. Payment for these services usually comprises a fixed monthly service fee plus variable, performance-related components, and the clients are billed for them on a monthly or quarterly basis. If the IT system monitored by SinnerSchrader is operated in SinnerSchrader’s own computer centre, fixed usage fees are also charged monthly. Revenues resulting in connection with performance-based operating and handling services are generally recognised on a monthly basis in accordance with the expenditure incurred.

Sale of Hardware and Software

In addition to other services, SinnerSchrader supplies its clients with hardware and standard software on request that SinnerSchrader itself buys on the market. The revenues from this are realised after billing or after the transfer of opportunities and risks.

Software as a Service

With its subsidiary NEXT AUDIENCE GmbH, SinnerSchrader offers the use of internally generated software as an additional service in the context of a software-as-a-service model. Depending on the actual usage, users are generally invoiced monthly for the fees in accordance with the agreed usage parameters. Revenues are realised in the amount of the fees invoiced.

After NEXT AUDIENCE GmbH discontinued its business activity as at 31 December 2015, SinnerSchrader no longer provides services using the software-as-a-service model.

2.18 Advertising Costs

In principle, SinnerSchrader takes the expenditure for advertising and promotional campaigns into account under the marketing costs in the Statements of Operations at the time the expenditure is incurred. In the 2015/2016 and 2014/2015 financial years, these expenses amounted to € 205,354 and € 459,941, respectively.

2.19 Research and Development Expenditure

Expenditure for research and development is recorded as an expense in the period in which it is incurred. Development costs that can be activated are an exception if they completely meet the criteria according to IAS 38.

The criteria for recognising research and development costs in accordance with IAS 38 were not met in the 2015/2016 financial year, since these costs were not separable in this respect. An amount of € 453,425 in research and development costs was reported as expenditure, against € 1,197,388 in 2014/2015.

2.20 Leasing

Leasing payments should be recorded as an expense in the Statements of Operations using a linear method over the term of the leasing contract if they are incurred within an operating leasing relationship where all of the risks remain with the lessor.

SinnerSchrader has concluded only operating leasing contracts. They mainly concern automobiles made available as company cars.

2.21 Share-based Compensation

IFRS 2 calls for costs resulting from the issue of employee options to be entered in the balance sheet on the basis of their current value with an effect on income. In this connection, the market value of the option on the issue date should be distributed over the waiting period for exercising the option and then proportionately entered in the Statements of Operations as personnel costs for the relevant period. The costs are recorded against the shareholders' equity in the reserve for share-based compensation.

As at 31 August 2016 and 31 August 2014, SinnerSchrader had two respective stock option plans, the structure of which is described in more detail in Section 7.1.

2.22 Earnings per Share

SinnerSchrader calculates the earnings per share in agreement with IAS 33. The undiluted earnings per share are determined on the basis of the weighted average of the outstanding common stock. According to this, treasury stock is not considered in the calculation of the basis for the earnings per share on the date these shares were bought back.

The weighted average of the outstanding shares is increased by the dilution effect from the potential exercise of outstanding options, calculated according to the Treasury Stock Method, in order to determine the diluted earnings per share. As part of its employee option programmes, SinnerSchrader issued options to employees, managing directors, and members of the Management Boards to buy common stock. The outstanding options in the 2015/2016 and 2014/2015 financial years were considered accordingly in the calculation of the dilution effect.

3 Segment Reporting

In the Consolidated Financial Statements for the 2015/2016 financial year, SinnerSchrader used the management approach to report on the Interactive Marketing, Interactive Media and Interactive Commerce segments. The segments are controlled on the basis of net revenues and EBITA.

- The Interactive Marketing segment develops internet strategies, drafts, designs and produces digital communication campaigns, handles the customised conception, design, and technical development of websites, internet applications and mobile applications, the maintenance of content and technologies, performance measurements and optimisation as well as technical operations, including the provision of the technical infrastructure for websites and internet applications.
- On the one hand, the Interactive Media segment offers content marketing services. On the other hand, until December 2015, the segment provided services for the planning and implementation of advertising measures on the internet with the focus on performance-oriented display advertising and on the delivery, success measurement and data-based optimisation of advertising media. Since January 2016, in addition to content marketing, the segment has been offering consultancy on digital media strategies and digital media technologies and tools.
- The Interactive Commerce segment offers companies a comprehensive range of services for the set-up, development and operation of digital sales channels, and assumes overall responsibility for the management of these channels, including purchasing, logistics and payment transactions (e-commerce outsourcing).

The Interactive Marketing segment comprises SinnerSchrader Deutschland GmbH, SinnerSchrader Praha s.r.o., SinnerSchrader Mobile GmbH and Swipe GmbH. SinnerSchrader Content GmbH and NEXT AUDIENCE GmbH were allocated to the Interactive Media segment. The Commerce Plus Group forms the Interactive Commerce segment.

All of SinnerSchrader's revenues were earned by Group companies based in Germany. SinnerSchrader Praha s.r.o. has until now rendered its project services mainly for SinnerSchrader Deutschland GmbH and Commerce Plus GmbH.

In the SinnerSchrader Group, net revenue in the amount of € 9,538,000, which accounts for around 19 % of the consolidated net revenue for the Group, was achieved with a group of companies in the year of the report. These revenues were earned in all three segments. Net revenues in the amount of € 7,430,000 were earned with another group of companies, around 15 % of the consolidated net revenue for the Group, this time in the Interactive Marketing and Interactive Media segments. In the previous year, revenues in the amount of € 7,593,000 (all three segments), € 6,487,000 (Interactive Marketing) and € 5,433,000 (Interactive Marketing) were earned in the SinnerSchrader Group with three groups of companies, representing 16 %, 14 % and 11 %, respectively, of the Group revenue.

Tables 1a and 1b show the segment figures for the 2015/2016 and 2014/2015 financial years:

Table 1a Segment information for the 2015/2016 financial year in € and number

01.09.2015–31.08.2016	INTERACTIVE MARKETING	INTERACTIVE MEDIA	INTERACTIVE COMMERCE	TOTAL SEGMENTS	HOLDING/ CONSOLIDATION	GROUP
External revenues	39,509,509	3,935,544	7,908,322	51,353,375	—	51,353,375
Internal revenues	835,584	100,327	140,128	1,076,039	–1,076,039	—
Gross revenues	40,345,093	4,035,871	8,048,450	52,429,414	–1,076,039	51,353,375
Media costs	—	–222,040	—	–222,040	—	–222,040
Total revenues, net	**40,345,093**	**3,813,831**	**8,048,450**	**52,207,374**	**–1,076,039**	**51,131,335**
Segment income (EBITA)	**4,652,595**	**443,007**	**457,291**	**5,552,893**	**–818,065**	**4,734,828**
Employees, end of period	347	21	84	452	53	505

Table 1b Segment information for the 2014/2015 financial year in € and number

01.09.2014–31.08.2015	INTERACTIVE MARKETING	INTERACTIVE MEDIA	INTERACTIVE COMMERCE	TOTAL SEGMENTS	HOLDING/ CONSOLIDATION	GROUP
External revenues	35,026,676	9,496,328	7,452,356	51,975,360	—	51,975,360
Internal revenues	471,694	84,806	215,890	772,390	–772,390	—
Gross revenues	35,498,370	9,581,134	7,668,246	52,747,750	–772,390	51,975,360
Media costs	—	–4,285,151	—	–4,285,151	—	–4,285,151
Total revenues, net	**35,498,370**	**5,295,983**	**7,668,246**	**48,462,599**	**–772,390**	**47,690,209**
Segment income (EBITA)	**3,967,832**	**–1,316,436**	**206,276**	**2,857,672**	**–774,664**	**2,083,008**
Employees, end of period	337	43	83	463	43	506

The attribution of internally generated software in the amount of € 200,000 as at 31 August 2016 in accordance with IAS 36 and the extraordinary deprecation of this software in the amount of € 614,000 as at 31 August 2015 is included in the segment results of Interactive Media.

Internal revenues between the segments were all processed according to standard market conditions.

Accounting for the individual segments follows the accounting principles that are also used in the Group. Administrative costs incurred by SinnerSchrader AG are charged to the operative segments, where they can be assigned. Costs that cannot be assigned – primarily costs for original holding tasks, such as investor relations work – are not distributed to the segments.

Table 1c explains the reconciliation of the total of the segment earnings to the earnings before tax in the Group for the period from 1 September 2015 to 31 August 2016 and for the comparable period in the previous year:

Table 1c Reconciliation of segment income to income before taxes of the Group in €

	2015/2016	2014/2015
Segment income (EBITA) for all reporting segments	5,552,893	2,857,672
Central costs not passed on to segments	–818,065	–774,664
EBITA of the Group	4,734,828	2,083,008
Financial income of the Group	–519	–1,517
Income before taxes of the Group	4,734,309	2,081,491

4 Information on the Balance Sheet

4.1 Goodwill, Intangible Assets, Property and Equipment

The development of goodwill, other intangible assets, and property and equipment in the 2015/2016 and 2014/2015 financial years is shown in Table 2a and 2b, respectively:

Table 2a Development of goodwill, intangible assets, and property and equipment in the 2015/2016 financial year in €

ACQUISITION AND PRODUCTION COSTS	01.09.2015	WRITE-UPS IN VALUE	ADDITIONS	DISPOSALS	31.08.2016
Goodwill	5,173,710	—	—	—	5,173,710
Internally generated software	921,712	200,000	—	—	1,121,712
Other intangible assets	3,908,844	—	9,662	1,098,417	2,820,089
Computer hardware	3,510,483	—	42,681	229,800	3,610,163
Furniture and fixtures	1,811,709	—	140,560	57,388	1,894,881
Leasehold improvements	780,117	—	8,191	1,127	787,181
Total fixed assets	**16,106,575**	**200,000**	**487,893**	**1,386,732**	**15,407,736**

ACCUMULATED DEPRECIATION, AMORTISATION, AND WRITEDOWNS	01.09.2015		ADDITIONS	DISPOSALS	31.08.2016
Goodwill	352,773	—	—	—	352,773
Internally generated software	921,712	—	—	—	921,712
Other intangible assets	3,731,162	—	97,375	1,092,078	2,736,459
Computer hardware	2,878,913	—	414,833	203,849	3,089,897
Furniture and fixtures	958,406	—	127,760	41,132	1,045,034
Leasehold improvements	662,463	—	76,932	1,126	738,269
Total fixed assets	**9,505,429**	—	**716,900**	**1,338,185**	**8,884,144**

NET BOOK VALUE	31.08.2015				31.08.2016
Goodwill	4,820,937				4,820,937
Internally generated software	—				200,000
Other intangible assets	177,682				83,630
Computer hardware	631,570				520,266
Furniture and fixtures	853,303				849,847
Leasehold improvements	117,654				48,912
Total fixed assets	**6,601,146**				**6,523,592**

Table 2b Development of goodwill, intangible assets, and property and equipment in the 2014/2015 financial year in €

ACQUISITION AND PRODUCTION COSTS	01.09.2014	ADDITION FROM FIRST CONSOLIDATION	ADDITIONS	DISPOSALS	31.08.2015
Goodwill	4,381,513	792,197	—	—	5,173,710
Internally generated software	921,712	—	—	—	921,712
Other intangible assets	3,956,333	2,252	102,493	152,234	3,908,844
Computer hardware	3,868,560	21,637	280,178	659,892	3,510,483
Furniture and fixtures	1,978,534	36,142	71,590	274,557	1,811,709
Leasehold improvements	843,259	—	23,398	86,540	780,117
Total fixed assets	**15,949,911**	**852,228**	**477,659**	**1,173,223**	**16,106,575**

ACCUMULATED DEPRECIATION, AMORTISATION, AND WRITEDOWNS	01.09.2014		ADDITIONS	DISPOSALS	31.08.2015
Goodwill	352,773	—	—	—	352,773
Internally generated software	—	—	921,712	—	921,712
Other intangible assets	3,770,287	—	112,952	152,077	3,731,162
Computer hardware	3,065,859	—	468,905	655,851	2,878,913
Furniture and fixtures	1,089,971	—	128,630	260,195	958,406
Leasehold improvements	632,336	—	110,484	80,357	662,463
Total fixed assets	**8,911,226**	**—**	**1,742,683**	**1,148,480**	**9,505,429**

NET BOOK VALUE	31.08.2014				31.08.2015
Goodwill	4,028,740				4,820,937
Internally generated software	921,712				—
Other intangible assets	186,046				177,682
Computer hardware	802,701				631,570
Furniture and fixtures	888,563				853,303
Leasehold improvements	210,923				117,654
Total fixed assets	**7,038,685**				**6,601,146**

4.1.1 Goodwill

The consolidated balance sheets as at 31 August 2016 and 31 August 2015 show goodwill in the amount of € 4,821,000, resulting as part of the initial consolidation of takeovers of companies and business operations carried out by various Group companies:

- Acquisition of spot-media AG by SinnerSchrader AG in February 2008
- Acquisition of the business operations of Maris Consulting GmbH by spot-media consulting GmbH in January 2011
- Acquisition of the business operations of Visions new media GmbH by next commerce GmbH in February 2011
- Acquisition of TIC-mobile GmbH by SinnerSchrader AG in May 2011
- Acquisition of Swipe GmbH by SinnerSchrader AG in July 2015

For the impairment test, goodwill resulting from the takeover of companies was allocated as a cash-generating unit ("CGU") to the respective company (or group of companies) taken over. Goodwill from the takeover of business operations will in each case be allocated to the company (or the group of Table 3 gives an overview of the goodwill, its allocation to CGUs, the valuation methods used for the impairment test and the significant valuation parameters:

Table 3 Overview of goodwill and the assumptions for goodwill impairment tests

CASH GENERATING UNIT (CGU)	GOODWILL IN € 000S		EVALUATION CONCEPT		GROWTH RATE IN PERPETUAL ANNUITY IN %		DISCOUNT FACTOR (WEIGHTED AVERAGE COST OF CAPITAL) IN%	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Commerce Plus Group	2,782	2,782	Fair Value less Cost of Disposal	Fair Value less Cost of Disposal	0.5	0.5	5.6	6.6
SinnerSchrader Mobile Group	2,039	2,039	Fair Value less Cost of Disposal	Fair Value less Cost of Disposal	0.5	0.5	5.6	6.6
SinnerSchrader Group	**4,821**	**4,821**						

For the purpose of reviewing the recoverability of goodwill, "recoverable amounts" were ascertained for the CGUs as at 31 August 2016. A DCF model (fair value less cost of disposal) was used to ascertain the amounts for the Commerce Plus Group and SinnerSchrader Mobile Group on the basis of the fair value less disposal costs. Achievable amounts are ascertained on the basis of the business plans including cash flow forecasts prepared annually by the management of the CGU for a period of three years and approved by the Management Board. The business plans are based on historical data, and take account of the expectations for the future development of relevant markets. Revenues and earnings are forecast on a client basis, wherever possible.

Due to the application of planning assumptions, the ascertained fair values are to be allocated to level 3 in the fair value hierarchy.

Goodwill and Impairment Test in the Commerce Plus Group CGU

Goodwill in the total amount € 2,782,000, unchanged against the figure of the previous, was allocated to the Commerce Plus Group as at 31 August 2016.

The impairment test was carried out on the basis of a three-year financial plan for the Commerce Plus Group for the 2016/2017 to 2018/2019 financial years. The Commerce Plus Group was able to further improve its operating result over that of the previous year in the 2015/2016 financial year, and exceed the targets of an increase in revenue of just under 1 % and an operating margin (ratio of EBITA to net revenue) of 3.8 % as set in the plan for the previous year. The revenue rose by 5.0 %, the operating margin was 5.7 %. In its business planning, the Commerce Plus Group thus now presumes that the development of business will rise to result in average annual growth in net revenue of 7 %. The operating margin is to fall to a level of just under 4 % in the first planning year, and improve to around 10 % during the course of the plan. The plans for the first planning year provide for a considerable rise in external services, largely due to closer cooperation with the SinnerSchrader subsidiary in Prague. Growth stimuli are expected from this cooperation in the planning years because of improved price positioning. Furthermore, after several years of falling personnel capacity and costs, the plans provide for marked rises, which should support the growth plans, particularly from the 2017/2018 year onwards. The stabilisation and further improvement in the efficiency of staff deployment, reflected in a scheduled increase in the real net output per employee, remains an important part of the business plan. The cash flows were carried forward beyond the three-year planning period, taking into account a steady growth rate of 0.5 %.

The interest rate after taxes used for discounting the cash flow forecasts was determined on the basis of the concept of the weighted average cost of capital (WACC). On the basis of a risk-free base interest rate of 0.5 % (previous year: 1.45 %), a market risk premium of 6.25 % (previous year: 6.25 %), a beta factor of 0.83 for the sector (previous year: 0.84), figures of 5.63 % after taxes (previous year: 6.59 %) and 8.03 % before taxes (previous year 9.39 %) resulted respectively for the WACC.

The recoverable amount determined for this CGU on this basis surpasses the book value of the CGU including goodwill. There was thus no need for impairment as at 31 August 2016. This would also apply in scenarios in which revenues were reduced against the plan by 10 % in each case, or if the operating margin for the planning period were to be assumed at only 4 %. Even in the event of a cumulative occurrence of revenues reduced against the plan in the amount of 10 % a year and an operating margin of only 4 % for the planning period, the recoverable amount would still exceed the book value of the CGU.

However, if a constant EBITA margin in the amount of 3.5 % were assumed over the entire planning period – with an unchanged development of sales revenue in comparison to the cumulative scenario – the resulting need for impairment would amount to € 236,000.

In terms of the planning of the Commerce Plus Group on which the impairment test is based, an increase in the market risk premium included in the calculation of weighted capital costs of 75 basis points would reduce the achievable value by € 1,411,000. There would be no need for impairment as at 31 August 2016 in a scenario of this kind.

Goodwill and Impairment Test in the SinnerSchrader Mobile GROUP CGU

The goodwill allocated to the SinnerSchrader Mobile Group CGU, was still € 2,039,000 as at 31 August 2016, unchanged in comparison to the previous year.

The impairment test was carried out on the basis of a three-year financial plan for SinnerSchrader Mobile Group for the 2016/2017 to 2018/2019 financial years. In the 2015/2016 financial year, the SinnerSchrader Mobile Group clearly fell short of the plan. Although the sales revenue rose by just under 25 % due to the acquisition of Swipe GmbH in July 2015, it remained just under 21 % below the plan. The operating result was negative due to interim over-capacities. The background to the missed plan, which is largely due to the first half of the 2015/2016 financial year, was the integration of Swipe GmbH in the CGU, the loss of planned business with existing clients, which was unexpectedly heavily tailored to the management that left in the 2014/2015 financial year, and a delay in the planned expansion of the cross-selling potentials within the SinnerSchrader Group. The plan assumes moderate growth of around 12 % on average for the next three financial years. The realisation of cross-selling potential in the Group is expected to generate positive impulses for business conducted by the SinnerSchrader Mobile Group. New clients acquired by the SinnerSchrader Group in the fourth quarter of 2015/2016 alone by means of joint sales activities offer sufficient potential for the

planned expansion in the first plan year. The operating margin is to improve from 6.0 % in the first planning year to up to 10.6 % in the final year of the planning horizon. The cash flows were carried forward beyond the planning period, taking into account a steady growth rate of 0.5 %.

The interest rate after taxes used for discounting the cash flow forecasts was determined on the basis of the concept of the weighted average cost of capital (WACC). On the basis of a risk-free base interest rate of 0.5 % (previous year: 1.45 %), a market risk premium of 6.25 % (previous year: 6.25 %) and a beta factor of 0.83 for the sector (previous year: 0.84), figures of 5.63 % after taxes (previous year: 6.59 %) and 8.03 % before taxes (previous year 9.39 %) resulted respectively for the WACC.

The recoverable amount determined for the CGU on this basis surpasses the book value of the CGU including goodwill. There was thus no need for impairment as at 31 August 2016. This would also apply in scenarios in which revenues were reduced against the plan by 7.5 % in each case, or if the operating margin for the planning period were to be assumed at only 5 %. Even in the event of a cumulative occurrence of revenues reduced against the plan in the amount of 7.5 % a year and an operating margin of only 5 % for the planning period, the recoverable amount would still exceed the book value of the CGU.

However, if an even weaker development of the margin were to be assumed in that the margin settled at a lasting level of 4.5 % as of the first planning year, provided that the development of revenue remained unchanged from that included in cumulative scenario, the need for impairment would amount to € 155,000.

An increase of 75 basis points in the market risk premium included in the calculation of weighted capital costs would reduce the achievable value by € 589,000. There would be no need for impairment as at 31 August 2016 in a scenario of this kind.

4.1.2 Internally Generated Software

The non-current assets item in the consolidated balance sheets as at 31 August 2016 contains capitalised development costs in the amount of € 200,000 as internally generated software for the NEXT AUDIENCE Platform, which was developed by NEXT AUDIENCE GmbH in the Interactive Media segment, commencing in the second half of the 2011/2012 financial year until the completion of Version 1.0 of the software program in August 2014. As at 31 August 2015, unscheduled depreciation of the full remaining value of the capitalised development costs in the amount of € 614,000 had to be undertaken following the decision taken at the end of June 2015 to withdraw from the NEXT AUDIENCE business due to a lack of prospects for a further or different use.

A cooperation agreement in the field of online media strategies and technologies concluded between NEXT AUDIENCE GmbH and SAP AG at the end of October 2016, incorporated the usage rights to the NEXT AUDIENCE platform. As a result, a reinstatement of value of the capitalised own work in the amount of € 200,000 had to be undertaken as at 31 August 2016.

4.2 Deferred Taxes

Both in the 2015/2016 and the 2014/2015 financial years, deferred taxes had to be posted in the Group because of differences in the postings for assets and liabilities according to IFRS and according to the relevant tax regulations. Section 5.5 contains more details on this.

4.3 PoC Receivables and Liabilities

As at 31 August 2016, PoC receivables amounted to € 3,135,016 (previous year: € 2,242,591). They included advance payments received which were offset in the amount of € 3,153,057 (previous year: € 400,473) in the period up to the balance sheet date.

Liabilities from PoC as at 31 August 2016 were in the amount of € 14,087 (previous year: € 35,503), with advance payments received in the amount of € 126,705 (previous year: € 653,098) exceeding corresponding receivables of € 112,618 (previous year: € 617,595). They are reported under Advance Payments Received in the balance sheet.

4.4 Tax Reimbursement Claims

As at 31 August 2016 and 31 August 2015, the tax reimbursement claims to be reported on the asset side amounted to € 69,407 and € 91,487, respectively.

The non-current tax reimbursement claims amounted to € 46,593 (previous year: € 68,649). Discounted claims for payment resulted from identified corporation tax credits, which were to be capitalised in their full amount in accordance with tax regulations. In September 2008, the payment in instalments started independently of any dividends with a term of 10 years. The cash value was recognised because the claims for reimbursement are non-interest bearing. Discounting was effected at a risk-free interest rate.

The current tax reimbursement claims in the amount of € 22,814 (previous year: € 22,838) result from creditable taxes collected at source and advance tax payments for corporation tax, which exceeded the tax expenditure calculated for the financial year. In the previous year creditable taxes collected at source were also reported in current tax reimbursement claims.

4.5 Other Current Assets

The other current assets and prepaid expenses largely contain payment for Investor Relations payments relating to the year, insurance policies, maintenance agreements and contributions.

4.6 Fixed-term Deposits and Securities

There were no fixed-term deposits and securities in the SinnerSchrader stock as at 31 August 2016 and 31 August 2015.

4.7 Funds

Cash flows and bank balances result in funds of € 6,098,619 as at 31 August 2016 (previous year: € 5,558,880).

Furthermore, SinnerSchrader AG received open-end loan commitments from two banks for cash and surety loans totalling altogether € 4.5 million in the 2013/2014 financial year which were valid as at 31 August 2016. With the exception of the defined bank guarantees mentioned in Section 4.12, the credit lines had not been used as at 31 August 2016 and 31 August 2015.

4.8 Shareholders' Equity

Subscribed Capital

As at 31 August 2016 and 31 August 2016, the share capital of SinnerSchrader AG was € 11,542,764 and was divided into 11,542,764 no-par-value share certificates in the names of the bearers, each with a calculated value of € 1 per share.

On 31 August 2016 and 31 August 2015, 11,244,722 and 11,483,525 shares, respectively, of all issued outstanding shares were in circulation. The remaining 298,042 and 59,239 shares, respectively, were held as SinnerSchrader AG treasury stock.

Approved Capital

The Annual General Meeting of 20 December 2012 authorised the Management Board to increase the share capital once or repeatedly by up to a total of € 5,770,000 until 19 December 2019 with the approval of the Supervisory Board by issuing new individual share certificates in return for a contribution in cash or a contribution in kind ("Approved Capital 2012"). The shareholders shall be granted a subscription right with restrictions.

Conditional Capital

As at 31 August 2016, SinnerSchrader AG had a conditional capital in the amount of € 1,150,000, which was created in 2007 ("Conditional Capital III") and 2012 ("Conditional Capital 2012") for the issue of stock options to employees.

Until 31 December 2011, options could be issued to employees and Board members of SinnerSchrader AG and its subsidiaries from Conditional Capital III in the amount of € 600,000, created by the Annual General Meeting resolution of 23 January 2007.

In a resolution of the Annual General Meeting of 20 December 2012, SinnerSchrader AG created new conditional capital in the amount of € 550,000 ("Conditional Capital 2012") and adopted the 2012 SinnerSchrader Stock Option Plan to grant stock options to members of the Management Board of SinnerSchrader AG, members of the management of the companies affiliated with SinnerSchrader AG, as well as selected employees with management functions in SinnerSchrader AG and the companies affiliated with SinnerSchrader AG.

Details on the option programmes and outstanding options are provided in section 7.

Treasury Stock

As at 31 August 2016 treasury stock amounted to 298,042 shares. The average acquisition cost on 31 August 2016 was € 3.89 per share. 298,042 treasury stock shares represent 2.58 % of the share capital. A deduction entry in the amount of the acquisition costs has been formed for treasury stock in accordance with IFRS.

As at 31 August 2015, there were 59,239 treasury stock shares with average acquisition costs of € 1.75 per share.

In the 2015/2016 financial year, 288,803 shares of treasury stock were bought back on the stock exchange at an average price of € 4.26, and 50,000 shares of treasury stock were issued in the context of the exercising of employee options.

Capital Reserve

As at 31 August 2016 and 31 August 2015, the capital reserve amounted to € 3,846,406 and € 3,926,544, respectively. In particular, the amount of the capital reserve comprises the premium resulting from the launch on the stock market less removals as well as the results from the issuing/sale of treasury stock. The € 80,138 decrease in the capital reserve resulted from the use of treasury stock to service employee options, if exercised.

Reserve for Share-based Compensation

The reserve comprises the accumulated costs from issuing share-based compensation. As at 31 August 2016 and 31 August 2015, they reached a value of € 299,152 and 266,598, respectively.

Balance Sheet Profit/Losses (incl. Revenue Reserves)

In the 2015/2016 financial year, the balance sheet loss was completely offset by net profit in the amount of € 3,373,185 less the dividend in the amount of € 1,361,028 paid to SinnerSchrader AG shareholders for the 2014/2015 financial year. As at 31 August 2016, the balance sheet profit was € 1,312,754 after a balance sheet loss in the amount of € 699,403 on 31 August 2015.

Accumulated other Income

Accumulated other income in the amount of € 27,053 as at 31 August 2016 comes from the currency conversion as part of the consolidation of the companies in the consolidation group to be included on the balance sheet in a foreign currency but whose functional currency is the national currency. As at 31 August 2015, the item amounted to € 26,300 and also resulted in the full amount from the currency conversion. The change of this item is shown in Table 4:

Table 4 Changes in other comprehensive income in €

	FOREIGN CURRENCY TRANSLATION	TOTAL
31.08.2015	26,300	26,300
Change	753	753
31.08.2016	27,053	27,053

4.9 Tax Liabilities

As at 31 August 2016 tax liabilities amounted to € 1,843,568 (previous year: € 1,575,196). As at the balance sheet date they comprised reserves for corporation tax of € 923,069 and reserves for commercial tax of € 920,498. Tax receivables resulting from tax declared for the 2012/2013 financial year and comprising corporation tax and commercial tax were balanced in the amount of € 119,589 and € 126,562, respectively.

4.10 Accrued Expenses

Accrued expenses are all due within one year. Table 5a shows the composition of the accrued expenses as at 31 August 2016 and the development in the 2015/2016 financial year:

Table 5a Accrued expenses 2015/2016 in €

	31.08.2015	UTILISED	ALLOCATED	DISSOLVED	31.08.2016
Accrued compensation	1,914,108	1,849,190	2,158,458	59,376	2,164,000
Accrued project-oriented expenses for warranties and allowances	466,252	239,729	302,001	11,108	517,416
Accrued rent and related expenses	142,350	84,151	142,720	—	200,919
Reporting and auditing expenses	89,606	81,325	115,894	2,300	121,875
Other accruals	451,130	140,875	260,314	4,623	565,946
Total	**3,063,446**	**2,395,270**	**2,979,387**	**77,407**	**3,570,156**

Table 5b shows the composition of the accrued expenses as at 31 August 2015 and the development in the 2014/2015 financial year:

Table 5b Accrued expenses 2014/2015 in €

	31.08.2014	UTILISED	ADDITION FROM FIRST CONSOLIDATION	ALLOCATED	DISSOLVED	31.08.2015
Accrued compensation	3,127,004	3,091,079	—	1,909,199	31,016	1,914,108
Accrued project-oriented expenses for warranties and allowances	572,488	350,889	—	249,390	4,737	466,252
Accrued rent and related expenses	223,103	119,015	—	38,262	—	142,350
Reporting and auditing expenses	104,175	86,279	1,000	75,186	4,476	89,606
Other accruals	493,968	128,496	11,962	132,704	59,008	451,130
Total	**4,520,738**	**3,775,758**	**12,962**	**2,404,741**	**99,237**	**3,063,446**

4.11 Current Liabilities and other Payables

As at 31 August 2016 current liabilities and other payables had a remaining term of less than one year and were broken down into the major components listed in Table 6:

Table 6 Financial liabilities and other liabilities in €

	31.08.2016	31.08.2015
Liabilities from income tax and church tax	457,302	513,079
Liabilities from value-added tax	585,126	800,398
Other current liabilities	364,485	18,034
Deferred revenues and deferred income	567,736	1,139,331
Total	**1,974,649**	**2,470,842**

This item contains accruals for volume-related discounts in the amount of € 543,623 as at 31 August 2016 (previous year: € 564,570).

4.12 Financial Liabilities and Contingent Liabilities

SinnerSchrader rents its office premises at the Hamburg, Frankfurt am Main, Berlin, Hanover, Munich, and Prague locations as well as company vehicles as part of rental and operating leasing contracts. The minimum remaining term of the rental contracts for the offices in Hamburg and Frankfurt am Main was between 3 and 59 months as at 31 August 2016. Some of the rental agreements contain clauses which provide for price adjustments under certain conditions, such as graduated rents and index adjustments. The leasing contracts for the company vehicles had a remaining term of between 5 and 33 months on the balance sheet date.

In the years ahead, the rental and leasing contracts will result in financial liabilities in the amount shown in Table 7:

Table 7 Financial liabilities in €

	LEASING		RENTING	
	31.08.2016	**31.08.2015**	**31.08.2016**	**31.08.2015**
01.09.2015 – 31.08.2016	–	73,847	–	2,186,698
01.09.2016 – 31.08.2017	78,511	51,363	2,086,223	1,672,315
01.09.2017 – 31.08.2018	53,093	17,835	1,649,608	1,091,671
01.09.2018 – 31.08.2019	20,465	–	1,632,540	914,588
01.09.2019 – 31.08.2020	–	–	1,567,964	914,588
01.09.2020 – 31.08.2021	–	–	1,155,338	838,372
After 31.08.2021	–	–	40,515	–
Total	**152,069**	**143,045**	**8,132,188**	**7,618,232**

The increase in financial obligations mainly reflects the extension of the lease for the location in Berlin, which was concluded during the year.

Future rental payments for the 2016/2017 financial year contain an offset in the amount of € 5,378, which is earned by way of a sub-tenancy.

All of these expenses from rents including the operating costs amounted to € 2,371,573 and € 2,068,055 in the 2015/2016 and 2014/2015 financial years, respectively. Income from a sub-tenancy in the amount of € 69,971 (previous year: € 64,541) has been offset against rental payments for the 2015/2016 financial year. The expenses arising from leasing agreements amounted to € 110,870 and € 111,937 in the 2015/2016 and 2014/2015 financial years, respectively.

In addition, SinnerSchrader has certain regular liabilities that arise in the ordinary course of business activities. The Company will form accrued expenses for these if there is a probability of more than 50 % that future expenditures will have to be made in this regard and that such expenditures can be estimated with sufficient reliability.

In the course of renting office space at the Hamburg, Frankfurt am Main, Hanover, and Munich locations, the landlords each required securities, which were provided in the form of bank guarantees. As at 31 August 2016, the volume of this guarantee was € 546,107 (previous year: € 476,575).

4.13 Financial Instruments – Information According to IFRS 7

Cash and cash equivalents, accounts receivable and other financial assets are mainly short-term (remaining terms of less than three months or less than one year). The book value of the financial assets as at 31 August 2016 almost corresponds to the current value to be ascribed.

Trade accounts payable and other current liabilities are also due within one year. The book values correspond to the current values to be ascribed.

Summarised according to categories pursuant to IAS 39, Table 8a shows the results for the financial instruments reported in the SinnerSchrader AG Consolidated Financial Statements as at 31 August 2016:

Table 8a Financial instruments acc. to IFRS in € 000s

		31.08.2016		31.08.2015	
	CATEGORY OF MEASUREMENT ACC. TO IAS 39	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Funds	n/a	6,099	6,099	5,559	5,559
Accounts receivable and unbilled revenues	LaR	12,191	12,191	14,110	14,110
thereof accounts receivable from PoC	LaR	3,135	3,135	2,171	2,171
Other current assets	LaR	475	475	480	480
Funds and current assets		**21,900**	**21,900**	**20,149**	**20,149**
Trade accounts payable	FLaC	1,845	1,845	3,470	3,470
Other current liabilities	FLaC	1,975	1,975	1,095	1,095
Financial liabilities		**3,820**	**3,820**	**4,565**	**4,565**

FLaC financial liabilities at amortised cost
LaR loans and receivables

The net profits and losses from financial instruments arising in the 2015/2016 and 2014/2015 financial years are shown in Table 8b:

Table 8b Net income from financial instruments acc. to IFRS 7 in €

	FROM INTERESTS		FROM SUBSEQUENT MEASUREMENT		FROM DISPOSALS	NET GAINS/LOSSES	
	EFFECTIVE INTEREST METHOD	OTHER INTERESTS	FROM FAIR-VALUE MEASUREMENT	FROM AMORTISATION OF ACQUISITION COSTS		2015/2016	2014/2015
LaR	—	1,778	—	16,801	—	18,579	19,758
FLaC	—	–2,297	—	–3,729	134,262	128,236	188,699
Total	**—**	**–519**	**—**	**13,072**	**134,262**	**146,815**	**208,457**

FLaC Financial Liabilities at Amortised Cost
LaR Loans and Receivables

Table 8c shows the age structure of the trade accounts receivable after value adjustments:

Table 8c Maturity of accounts receivable after adjustments in € 000s

ACCOUNTS RECEIVABLE	TOTAL	NOT DUE	DAYS OVERDUE			
			1–90 DAYS	91–180 DAYS	181–360 DAYS	MORE THAN 360 DAYS
as at 31 August 2015	10,326	8,084	1,923	281	1	37
as at 31 August 2016	7,947	7,073	803	48	12	11

There are no grounds for any value impairments to financial assets that are not due.

The development of value adjustments on accounts receivable is shown in Table 8d:

Table 8d Development of allowances for doubtful accounts receivable in €

			UTILISED	ALLOCATED	DISSOLVED		
Allowances for doubtful accounts receivable	01.09.2014	55,625	20,064	16,800	211	52,150	31.08.2015
Allowances for doubtful accounts receivable	01.09.2015	52,150	16,400	10,200	10,600	35,350	31.08.2016

Reference is made to Section 8 of these Notes for the representation of market risks with respect to financial instruments.

5 Elements of the Statements of Operations

5.1 Revenues

The revenues (gross) of € 51,353,375 (previous year: € 51,975,360) include revenue from the passing on of costs incurred for the purchase of advertising spaces in online media business ("media costs") in the amount of € 222,040 (previous year: € 4,285,151). After deduction of the media costs, revenues (net) in the amount of € 51,131,335 (previous year: € 47,690,209) result. These net revenues are used by SinnerSchrader as a reference value for revenue.

Of the net revenues, € 16,743,260 are order revenues, of which an amount of € 6,400,691 (previous year: € 3,260,659) is from commissioned projects which had not been completed as at 31 August 2016. The accumulated costs for these commissioned projects amounted to € 4,499,595 (previous year: € 2,366,548) on the reporting date.

5.2 Breakdown of Expenses According to the Total Cost Method

The total revenues, marketing, administrative, and research and development costs of the 2015/2016 and 2014/2015 financial years is broken down according to cost types, as shown in Table 9:

Table 9 Operating costs by cost type in €

	2015/2016	2014/2015
Personnel expenses	30,240,795	30,735,472
Costs of materials and services	9,410,574	7,561,643
Depreciation of property and equipment, as far as not from first consolidation	716,900	1,742,683
Other operating expenses	6,459,649	6,021,959
Total	**46,827,918**	**46,061,757**

The personnel expenditure refers to an average personnel capacity of 446 full-time employees in the 2015/2016 financial year and 478 full-time employees in the 2014/2015 financial year.

The Group paid contributions to statutory pension insurers. In 2015/2016 these expenses in connection with contribution-based pension plans were € 2,065,788 (previous year: € 2,030,217).

The costs of materials and services item mainly comprises costs resulting from using freelancers and sub-contractors and from the purchase of hosting, housing and computer centre services. It furthermore includes marginal costs for the purchase of hardware and software acquired by SinnerSchrader to sell on to its clients.

Within the other operating expenses, € 2,371,573 and € 2,068,055 were incurred for renting and operating the office space in the 2015/2016 and 20143/2015 financial years, respectively.

In the 2015/2016 financial year, bad debts were incurred in the amount of € 15,063 in the other operating expenses. No bad debts needed to be reported in the comparable period of the previous year.

5.3 Other Income and Expenses

Table 10 shows the composition of the other income and expenses:

Table 10 Other income and expenses in €

	2015/2016	2014/2015
Income from dissolving of accrued expenses	227,035	308,452
Income from write-ups on intangible assets	200,000	—
Income from receivables written off	32,266	136,887
Compensation for damages	2,118	21,980
Other income	16,108	8,670
Other income, total	**477,527**	**475,989**
Expenses from disposal of fixed assets	–26,238	–4,938
Goodwill amortisation	–3,729	–15,830
Other expenses	–16,149	–665
Other expenses, total	**–46,116**	**–21,433**
Other income, other expenses, total	**431,411**	**454,556**

5.4 Financial Result

The financial result is made up as shown in Table 11:

Table 11 Financial income in €

	2015/2016	2014/2015
Interest income	1,778	3,169
Interest expenses	–2,297	–4,686
Total	**–519**	**–1,517**

Interest income was largely earned from interest on corporation tax credits. Interest expenses and similar expenses largely arose from providing bank guarantees.

5.5 Income Taxes

The income taxes posted in the 2015/2016 and 2014/2015 financial years are made up of current and deferred components, as shown in Table 12a:

Table 12a Income tax in €

	2015/2016	2014/2015
Current	1,257,894	1,604,025
Deferred	103,230	–1,040,921
Total	**1,361,124**	**563,104**

Deferred taxes had to be accrued because of the evaluation differences between the balance sheet items according to IFRS and the postings in the relevant tax balances as well as on the basis of the remaining loss carry-forwards that can be used for tax purposes. Table 12b shows the composition of the deferred tax items as at 31 August 2016 and 31 August 2015, broken down according to the items for which there was an evaluation difference:

Table 12b Deferred tax items in €

	31.08.2016	31.08.2015
Deferred tax assets:		
Loss carry-forwards	1,894,252	1,739,841
Valuation of accrued expenses	69,980	28,902
Valuation of intangible assets	82,410	106,043
Valuation allowance	–1.010,268	–1,055,827
Total deferred tax assets	**1,036,374**	**818,959**
Deferred tax liabilities:		
Valuation of unfinished/unbilled services	629,918	399,649
Valuation of intangible assets	93,259	23,378
Valuation of fixed assets	—	83
Valuation of current assets	39,666	19,088
Total deferred tax liabilities	**762,843**	**442,198**
Total deferred tax assets/liabilities, net	**273,531**	**376,761**
thereof:		
deferred tax assets/liabilities formed with an effect on net income	273,531	342,041
deferred tax assets from first consolidation not effecting net income	—	34,720

After incorporated company-related offsetting, an amount of € 803,653 in deferred tax claims was capitalised and deferred tax debts in the amount of € 530,122 were recognised as liabilities as at 31 August 2016.

As at 31 August 2016 and 31 August 2015, the calculation of deferrals was based on tax loss carry-forwards in Germany, the UK, the Netherlands, and the Czech Republic. In Germany and the UK, the relevant loss carry-forwards could be brought forward without limitation. Unlimited loss carry-forwards in the Netherlands have no longer been permissible since legislation was amended in 2010. Losses from 2006 in the amount of € 9,000 were thus not eligible for carrying forward in the 2015/2016 financial year. As at the 2016/2017 financial year, loss carry-forwards in the amount of around € 9,000 p.a. will expire. In the Czech Republic, loss carry-forwards can be brought forward for five years.

In accordance with IAS 12.39, no deferred taxes are recognised for valuation differences between the taxable book value of shares in subsidiaries and shareholders' equity held by subsidiaries and conversion tax-related beneficiary mergers and material goods within the Group. The temporary differences resulting in this respect amount to € 14,026 (previous year: € 14,126). There were no taxable accumulated distributable profits as at 31 August 2016.

Deferred tax assets may be posted only to the extent that the future realisation of the relevant advantage is sufficiently probable or if they are countered by deferred tax liabilities. Correspondingly, as at 31 August 2016 and 31 August 2015, the value of the tax claims arising from loss carry-forwards, which SinnerSchrader assumes it will not be able to realise in the foreseeable future, was adjusted. The value of the loss carry-forwards in the United Kingdom and the Netherlands was also adjusted because the operating business in these countries continues to be on hold. The same applies to tax claims from loss carry-forwards of a German subsidiary pre-dating consolidation because realisation cannot be predicted with adequate probability.

The deferred tax claims are to be calculated according to IAS 12.48 on the basis of the currently valid tax rates. A statutory tax rate of 32.3 % thus applied for calculating the deferred tax assets and liabilities of the companies located in Hamburg as at 31 August 2016 and at 31 August 2015. It was made up of the trade tax rate of 16.5 %, the corporation tax rate of 15 %, and the solidarity surcharge of 5.5 % on the corporation tax.

Tax rates of 20 % and 25 %, respectively, were still valid for the companies in the UK and the Netherlands as at 31 August 2016. A tax rate of 19 % applies for the company in the Czech Republic.

The amounts of the loss carry-forwards and the tax rates applied for their valuation are listed in Table 12c:

Table 12c Loss carry-forwards and statutory income tax rate in €

	31.08.2016		31.08.2015	
FOR CORPORATE TAX	LOSS CARRY-FORWARDS	TAX RATE	LOSS CARRY-FORWARDS	TAX RATE
Germany	–4,510,223	15.8%[1]	–4,410,444	15.8%[1]
UK	–1,380,138	20.0%	–1,343,459	20.0%
Netherlands	–91,915	25.0%	–90,448	25.0%
Czech Republic	–250,616	19.0%	–381,343	19.0%

	31.08.2016		31.08.2015	
FOR MUNICIPAL TRADE TAX	LOSS CARRY-FORWARDS	TAX RATE	LOSS CARRY-FORWARDS	TAX RATE
Germany	–5,150,896	16.5%	–5,197,782	16.5%
UK	–	–	–	–
Netherlands	–	–	–	–
Czech Republic	–	–	–	–

1) 15% corporate tax plus 5.5% solidarity surcharge on the corporation tax

Only losses carried forward in Germany in an amount of € 3,390,000 of the losses carried forward as shown in Table 12c are considered to be recoverable.

The deferred tax assets and liabilities were posted separately for every tax subject for identification on the Consolidated Balance Sheets.

The tax expenditure or income identified in the Consolidated Statements of Operations deviates from the value that would result from the use of the statutory tax rates on the pre-tax profits.

Table 12d explains the difference between the calculated tax expenditure or income on the basis of the statutory tax rate and the tax expenditure or income recorded in the Consolidated Statements of Operations for the 2015/2016 and 2014/2015 financial years:

Table 12d Tax reconciliation in €

	2015/2016	2014/2015
Income before income taxes	4,734,309	2,081,491
Statutory tax rate in Germany	32.28%	32.28%
Calculative tax provision (+), tax credit (–)	1,527,998	671,801
Non-deductible expenses for share-based compensation	8,548	2,105
Other non-deductible expenses/non-taxable income	53,449	37,835
Notional, non-deductible expenses according to Article 8b para. 3 sentence 1 of the German Corporation Tax Act ("KStG") in conjunction with off balance sheet deferred taxes on various amounts of equity interest	—	244
Recognition of previously unrecognised tax losses carried forward	–155,514	–2,374
Unrecognised tax losses carried forward	—	39,167
Changes in valuation allowances for deferred tax assets in domestic group companies	–28,365	–225,014
Changes in valuation allowances for deferred tax assets in foreign group companies	–32,598	35,050
Differences in tax rates	–12,444	–3,338
Taxes for previous years	50	7,628
Income tax corresponding to income statement	**1,361,124**	**563,104**

5.6 Earnings per Share

The derivation of the undiluted and diluted earnings per share for the 2015/2016 and 2014/2015 financial years is shown in Table 13:

Table 13 Earnings per share in € and number

	2015/2016	2014/2015
Net income	**3,373,185**	**1,518,387**
Basis weighted average shares of common stock outstanding	11,382,776	11,313,720
Basic earnings per share	**0.30**	**0.13**
Weighted average shares of common stock outstanding	11,382,776	11,313,720
plus: stock option grant	106,123	42,866
Diluted average share of common stock outstanding	11,488,899	11,356,587
Diluted earnings per share	**0.29**	**0.13**

6 Additional Information on the Statements of Cash Flows

6.1 Interest Received and Interest Paid

In the 2015/2016 financial year, SinnerSchrader received interest in the amount of € 91 (previous year: € 715) and paid € 2,297 (previous year: € 4,686) in interest and similar expenses.

6.2 Tax Payments

Advance payments of corporation tax and commercial tax were made in the amount of € 173,125 (previous year: € 168,378) and € 211,770 (previous year: € 211,160), respectively, for the 2015/2016 financial year. Subsequent advance payments for the 2014/2015 financial year in the amount of € 168,600 were paid for corporation tax and € 401,600 was paid for commercial tax. Furthermore, in the 2015/2016 financial year, corporation tax in the amount of € 18,213 (previous year: € 13,530) and commercial tax in the amount of € 16,041 (previous year: € 100) were paid from the tax debts for the 2013/2014 financial year. In the 2015/2016 financial year, € 165 were paid in investment income tax.

Tax reimbursements in the amount of € 23,743 resulted from the annual rate for the corporation tax credit identified in 2008.

7 Share-based Compensation

7.1 Stock Option Plans

SinnerSchrader Stock Option Plan 2007

In January 2007, the Annual General Meeting of SinnerSchrader AG approved the SinnerSchrader Stock Option Plan 2007 ("2007 Plan"), which provides for the granting of stock options to allocate a total of 600,000 shares to the members of the Management Board of SinnerSchrader AG and to the members of the management of the affiliated companies as well as to selected employees performing managerial tasks within SinnerSchrader AG and affiliated companies. The options had been allocated by 31 December 2011.

Options granted under the 2007 Plan have an exercise price of at least the mean value of the closing price of SinnerSchrader AG shares in the Xetra trading system of Deutsche Börse AG (or an equivalent successor system) during the five trading days prior to the allocation date. The options can be exercised in equal instalments of one-third each three, four, and five years, respectively, after allocation at the earliest. The options of the first third may be exercised only if the mean value of the closing price of SinnerSchrader AG shares in the Xetra trading system of Deutsche Börse AG (or an equivalent successor system) during the five trading days before the day of exercise (reference price) is 30 % above the exercise price. The options of the second third may be exercised only if the reference price is 40 % above the exercise price. The options of the last third may be exercised only if the reference price is 50 % above the exercise price. The latest exercise period is seven years after the allocation date. In the 2015/2016 financial year, 50,000 options were exercised at an average exercise price of € 1.91. In the 2014/2015 financial year, 91,667 options were exercised at an average exercise price of € 1.66, and 16,668 options with an average exercise price of € 1.57 expired. In the preceding financial years, 545,000 options with an average exercise price of € 1.95 were allocated, of which 8,332 options and 75,000 options, respectively, were to be cancelled in the 2011/2012 and the 2012/2013 financial years. In the 2013/2014 financial year, 150,000 options were exercised and 75,000 options were to be cancelled.

SinnerSchrader Stock Option Plan 2012

In a resolution of 20 December 2012, the Annual General Meeting of SinnerSchrader AG adopted the 2012 SinnerSchrader Stock Option Plan to grant stock options for the sale of a total of 550,000 shares to members of the Management Board of SinnerSchrader AG (100,000 options) and members of the management of the companies affiliated with SinnerSchrader AG (300,000 options) as well as selected employees with management functions in SinnerSchrader AG and the companies affiliated with SinnerSchrader AG (150,000 options).

The exercise price for options granted as part of the 2012 Plan may not be less than the average of the closing prices of the shares in SinnerSchrader AG in the Xetra trading system of Deutsche Börse AG (or a corresponding successor system) on the twenty trading days prior to the date of allocation, but not less than the lowest issue price within the meaning of Article 9 para. 1 of the German Stock Corporation Act ("AktG"). The options may be exercised at the earliest four years after their allocation. The options may not be exercised until the average of the closing prices of the shares in SinnerSchrader AG in the Xetra trading system of Deutsche Börse AG (or a corresponding successor system) exceeds the exercise price by not less than 40 % on the twenty trading days prior to the exercise date (reference price). In addition to the absolute earnings target, a relative earnings target requires that the share price of Sinner-Schrader AG develops better than the TecDAX. The latest exercise period for options granted in the 2012 Plan is seven years after their date of allocation.

In the 2015/2016 financial year, 120,000 options from the 2012 Stock Option Plan were allocated with an average exercise price of € 3.69, and 25,000 options with an average exercise price of € 2.11 were to be cancelled. In the 2014/2015 financial year, 30,000 options were allocated with an average exercise price of € 3.53, and 25,000 options with an average exercise price of € 2.12 were to be cancelled. In the previous financial years, 165,000 employee options had been issued with an average exercise price of € 1.84, and 15,000 options with an average exercise price of € 1.65 were to be cancelled.

The total expenditure for share-based compensation where the return is recognised immediately with an effect on expenditure is € 32,554 (previous year: € 6,521) and results entirely from compensation with shareholders' equity instruments.

Table 14a shows the parameters used to assess the newly allocated options in the 2015/2016 and 2014/2015 financial years on the basis of a binomial model according to Cox/Ross/Rubenstein:

Table 14a Parameters for valuation of stock options at the date of issue

	2015/2016	2014/2015
Expected life of option	4.5 years	4.5 years
Risk-free interest rate	0.03 %	0.34 %
Expected dividend yield	5 %	5 %
Expected volatility	38 %	38 %
Exercise price	€ 3.69	€ 3.53
Price at valuation date	€ 4.05	€ 3.13

The earliest possible exercising of the options was assumed when the options were assessed. The volatility was determined by the closing prices of the last 840, 1,080, and 1,320 trading days before the date of issue.

Table 14b summarises the changes in the number of options outstanding in the 2015/2016 and 2014/2015 financial years:

Table 14b Outstanding stock options in € and number

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Outstanding at 31 August 2014	**386,668**	**1.89**	**0.44**
Granted	30,000	3.53	0.51
Exercised	–91,667	1.66	0.48
Cancelled	–25,000	2.12	0.49
Expired	–16,668	1.57	0.47
Outstanding at 31 August 2015	**283,333**	**1.85**	**0.41**
Granted	120,000	3.69	0.94
Exercised	–50,000	1.91	0.37
Cancelled	–25,000	2.11	0.51
Outstanding at 31 August 2016	**328,333**	**2.75**	**0.60**

Additional information on all options outstanding on 31 August 2016 is listed in Table 14c:

Table 14c Outstanding stock options according to exercise price in €, number and years

		OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	RANGE OF EXERCISE PRICE IN €	NUMBER	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE IN €	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE IN €
31.08.2015	0.00–5.00	283,333	4.01	2.14	80,000	2.08
31.08.2016	0.00–5.00	328,333	4.44	2.75	61,667	2.31

8 Risk and Capital Management

8.1 Liquidity Risk

Liquidity risks result from potential financial bottlenecks and the increased refinancing costs caused by them. The goal of liquidity management at SinnerSchrader is to ensure continual solvency within the agreed payment terms through sufficient liquid funds. The Group monitors these liquid funds, and only the free liquidity not considered necessary to balance out fluctuations in cash flows is invested for longer terms. Furthermore, when longer-term investments are made, the Group ensures that these investments are only made in securities that can be sold at any time. Credit lines of € 2 million and € 2.5 million, respectively, were agreed with two banks in order to avoid shortages of liquidity in the short term; they had, however, not been utilised on the reporting date.

8.2 Credit Risk

Credit risks arise for SinnerSchrader in that, after services have been provided, the services are invoiced with the payment terms agreed with the client, but clients do not always meet the resulting payment obligations. SinnerSchrader reduces this risk by carrying out regular credit checks on new clients and by regularly monitoring its clients' outstanding payment obligations. In the 2015/2016 financial year, as in past years, SinnerSchrader had no major bad debt losses to report or reserves for bad debt to form.

Furthermore, SinnerSchrader faces credit risks from holding free liquid funds in bank balances and from investing this liquidity in the capital market. SinnerSchrader reduces this risk through the selection of its bank partners and cooperation with several different banks and by restricting the credit rating of the investment instruments to a minimum rating of BBB, or A3 for short-term investments.

The maximum failure rate results from the book values of the financial assets posted in the balance sheet and from the current values of the securities posted. SinnerSchrader held no securities as at 31 August 2016.

8.3 Market Risks

Currency Risks

Since SinnerSchrader calculates its revenues exclusively in euros, its suppliers primarily issue invoices in euros, and the Company holds no notable assets in foreign currencies, the Group faces no major foreign currency risks.

In the 2015/2016 financial year, currency losses in the amount of € 3,729 (previous year: € 15,830) were incurred in SinnerSchrader Praha s.r.o., based in Prague, for which the euro is deemed to be the functional currency as it is an economically dependent unit.

Interest Risks

The Company had no substantial interest-bearing financial liabilities and nor had it made any interest-bearing investments on the balance sheet date. There were thus no interest-rate risks as at 31 August 2016.

Exchange Risks

As at 31 August 2016, SinnerSchrader did not hold any shares in other companies listed on the stock exchange. The Group therefore faced no exchange risks.

8.4 Capital Management

SinnerSchrader fundamentally pursues the goal of securing its shareholders' equity base for the long term and achieving a suitable return on its capital. A high level of shareholders' equity is also aimed at because it supports the independence and competitiveness of the Company. SinnerSchrader's capital management also aims to ensure that the operating companies will continue to operate and to finance organic and inorganic growth.

On 31 August 2016, the shareholders' equity rate posted on the Consolidated Balance Sheets was 60.0 % (previous year: 53.9 %). The shareholders' equity return – the ratio of the net profit to shareholders' equity on the balance sheet date – was 21.9 % and 10.2 % for the 2015/2016 and 2014/2015 financial years, respectively.

Reference is made to the Consolidated Statement of Changes in Shareholders' Equity and section 4.8 (Shareholders' Equity) in these Notes for the composition of the shareholders' equity.

9 Related Party Transactions

In the 2015/2016 and 2014/2015 financial years, subsidiaries of SinnerSchrader AG earned revenue in the amount of € 933,523 and € 1,898,611, respectively, with companies of a group of companies in which members of the Supervisory Board of SinnerSchrader held positions relevant to decision-making. As at 31 August 2016 SinnerSchrader had neither unbilled services nor outstanding receivables against these companies. The total of unbilled services and accounts receivable against these companies was € 265,060 as at 31 August 2015.

The related party transactions were carried out under the usual market conditions.

9.1 Management Board

In the 2015/2016 financial year, the following people were appointed to the Management Board:

- Matthias Schrader, Chairman, appointed until 31 December 2020
  - Businessman, Hamburg, Germany
- Thomas Dyckhoff, Finance Director, appointed until 31 December 2021
  - Businessman, Hamburg, Germany

The Management Board members conducted their activities as their principal profession. Table 15a shows the compensation for the members of the Management Board in the 2015/2016 financial year; the comparative data of the previous year can be seen in Table 15b:

Table 15a Compensation of the Management Board members 2015/2016 in €

	NON PERFORMANCE-RELATED COMPENSATION		PERFORMANCE-RELATED COMPENSATION	COMPENSATION COMPONENTS WITH A LONG-TERM INCENTIVE EFFECT	
	FIXED SALARY	OTHER BENEFITS	SHORT-TERM OBJECTIVES	MEDIUM-TERM OBJECTIVES	SHARE-BASED COMPENSATION
Matthias Schrader	210,000	11,592	114,980	19,750	–
Thomas Dyckhoff	160,000	9,679	93,070	18,750	–
Total	**370,000**	**21,271**	**208,050**	**38,500**	**–**

Table 15b Compensation of the Management Board members 2014/2015 in €

		NON PERFORMANCE-RELATED COMPENSATION	PERFORMANCE-RELATED COMPENSATION	COMPENSATION COMPONENTS WITH A LONG-TERM INCENTIVE EFFECT	
	FIXED SALARY	OTHER BENEFITS	SHORT-TERM OBJECTIVES	MEDIUM-TERM OBJECTIVES	SHARE-BASED COMPENSATION
Matthias Schrader	190,000	8,752	80,112	–	–
Thomas Dyckhoff	160,000	9,679	65,908	–	–
Total	**350,000**	**18,431**	**146,020**	**–**	**–**

The total compensation of the Management Board in the 2015/2016 financial year was € 637,821 (previous year: € 514,451). Expenses for the D&O insurance are not reported under other benefits in accordance with the rules specified by DRS 17 of the German Accounting Standards. Premiums in the 2015/2016 financial year were € 16,669, unchanged from the previous year.

In the 2015/2016 financial year, reserves in the amount of € 38,500 were accumulated for variable remuneration on the basis of medium-term goals. In the 2014/2015 financial year, the reserves established in the previous year were reversed in recognition of profit or loss.

The members of the Management Board are subject to a post-contractual ban on competition that makes provision for compensation in the amount of 50 % of the most recently received non performance-related compensation. With respect to the severance payments, it has been agreed with the members of the Management Board that they must comply with the recommendations of the Corporate Governance Code No. 4.2.3.

9.2 Supervisory Board

In the 2015/2016 financial year, the Supervisory Board had the following members:

- Dieter Heyde, Chairman
  - MBA, Bad Nauheim, Germany
  - Managing Partner of SALT Solutions GmbH, Würzburg, Germany
  - Member of the Advisory Board of CCP Software GmbH, Marburg, Germany
- Prof. Cyrus D. Khazaeli, Deputy Chairman
  - Communications Designer, Berlin, Germany
  - Professor of Communication and Interaction Design at Berliner Technische Kunsthochschule [Berlin Technical Academy of Art], Berlin, Germany
- Philip W. Seitz
  - Lawyer, Hamburg, Germany
  - General Counsel & Director of Government Affairs of Tchibo GmbH, Hamburg, Germany

Table 16a shows the compensation of the Supervisory Board members in the 2015/2016 financial year; the comparative data of the previous year can be seen in Table 16b:

Table 16a Compensation of the Supervisory Board members 2015/2016 in €

	FIXED SALARY	VARIABLE COMPONENTS
Dieter Heyde	20,000	–
Prof. Cyrus D. Khazaeli	12,500	–
Philip W. Seitz	12,500	–
Total	**45,000**	**–**

Table 16b Compensation of the Supervisory Board members 2014/2015 in €

	FIXED SALARY	VARIABLE COMPONENTS
Dieter Heyde	20,000	–
Prof. Cyrus D. Khazaeli	12,500	–
Philip W. Seitz	12,500	–
Total	**45,000**	**–**

In line with the rules of DRS 17, the premium for the D&O insurance is not to be posted as compensation for the Supervisory Board either. In the 2015/2016 financial year, the share of the premium accounted for by the Supervisory Board was unchanged over the previous year at € 834.

10 Major Events after the Balance Sheet Date

There were no major events after the balance sheet date that should be reported.

11 Supplementary Information Required by the German Commercial Code

11.1 Participations

The participations held by SinnerSchrader Aktiengesellschaft are broken down as follows:

Table 17 Participations of SinnerSchrader AG

COMPANY	SHARE IN %	CURRENCY	NOMINAL CAPITAL	SHAREHOLDERS' CAPITAL	LAST ANNUAL RESULT	PROFIT/LOSS TRANSFER AGREEMENT	REPORTING PERIOD
SinnerSchrader Deutschland GmbH, Hamburg, Germany	100.00	EUR	75,000	75,000	4,099,208[1]	yes	01.09.15–31.08.16
Commerce Plus GmbH, Hamburg, Germany	100.00	EUR	25,000	1,490,651	413,023[1]	yes	01.09.15–31.08.16
Commerce Plus Consulting GmbH, Hamburg, Germany[2]	100.00	EUR	25,000	25,000	17,688[1]	yes	01.09.15–31.08.16
SinnerSchrader UK Ltd., London, UK[3]	100.00	GBP	100,000	–828,209	–28,326	no	01.09.15–31.08.16
SinnerSchrader Benelux BV, Rotterdam, The Netherlands[3]	100.00	EUR	18,000	–256,717	–10,265	no	01.01.15–31.12.15
NEXT AUDIENCE GmbH, Hamburg, Germany	100.00	EUR	765,400	529,106	290,204	no	01.09.15–31.08.16
SinnerSchrader Content GmbH, Hamburg, Germany[4]	100.00	EUR	25,000	54,759	846,636[1]	yes	01.09.15–31.08.16
SinnerSchrader Mobile GmbH, Berlin, Germany	100.00	EUR	25,000	640,211	–430,887	no	01.09.15–31.08.16
Swipe GmbH, Hamburg, Germany[5]	100.00	EUR	25,000	144,148	141,539	no	01.09.15–31.08.16
SinnerSchrader Praha s.r.o., Prague, Czech Republic	100.00	CZK	200,000	–11,366,431	2,617,742	no	01.09.15–31.08.16

1) Before profit-transfer
2) The company is a 100 % subsidiary of Commerce Plus GmbH.
3) The company's activities have currently been temporarily discontinued; respective shares were written off in the year the activity was discontinued. Audited financial statements of the company are not available.
4) The company is a 100 % subsidiary of NEXT AUDIENCE GmbH.
5) The company is a 100 % subsidiary of SinnerSchrader Mobile GmbH.

11.2 Use of Article 264 Para. 3 HGB

SinnerSchrader Deutschland GmbH, Hamburg, Commerce Plus GmbH, Hamburg, Commerce Plus Consulting GmbH, Hamburg, and SinnerSchrader Content GmbH, Hamburg, will each make use of the exemption provision of Article 264 para. 3 HGB for the Annual Report of 31 August 2016.

11.3 Employees

In the 2015/2016 financial year, the SinnerSchrader Group had an average of 494 employees, 12 of whom were members of the Management Board or managing directors of Group companies and 94 were apprentices, students or interns.

In the previous year, there was an average of 523 employees in the Group.

11.4 Auditors' Fee

€ 79,570 were spent on the auditing of the Annual Report and the Consolidated Financial Statements as at 31 August 2016. Ebner Stolz Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft mbB received € 48,454 for tax advice and the preparation of tax returns for 2015, as well as another € 3,080 for other consultancy and certification services.

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

Table 18 shows the number of shares in SinnerSchrader AG and the number of subscription rights to shares held by directors of SinnerSchrader AG as at 31 August 2016 and any changes in the 2015/2016 financial year:

Table 18 Shares and options of the Board members in number

SHARES	31.08.2015	ADDITIONS	DISPOSALS	31.08.2016
Management Board:				
Matthias Schrader	2,576,289	12,110	—	2,588,399
Thomas Dyckhoff	109,950	—	—	109,950
Total shares of the Management Board	**2,686,239**	**12,110**	**40,000**	**2,698,349**
Supervisory Board:				
Dieter Heyde	—	—	—	—
Prof. Cyrus D. Khazaeli	—	—	—	—
Philip W. Seitz	—	—	—	—
Total shares of the Supervisory Board	**—**	**—**	**—**	**—**
Total shares of the Board members	**2,686,239**	**12,110**	**—**	**2,698,349**

OPTIONS	31.08.2015	ADDITIONS	DISPOSALS	31.08.2016	CURRENT VALUE OF EACH SUBSCRIPTION RIGHT ON THE DATE OF GRANTING
Management Board:					
Matthias Schrader	—	—	—	—	
Thomas Dyckhoff	45,000	—	—	45,000	€ 0.48
Total shares of the Management Board	**45,000**	**—**	**—**	**45,000**	
Supervisory Board:					
Dieter Heyde	—	—	—	—	
Prof. Cyrus D. Khazaeli	—	—	—	—	
Philip W. Seitz	—	—	—	—	
Total shares of the Supervisory Board	**—**	**—**	**—**	**—**	
Total shares of the Board members	**45,000**	**—**	**—**	**45,000**	

11.6 Information According to Article 160 Para. 1 No. 8 of the German Stock Corporation Act

Participating interests in the Company as at 31 August 2016 have been notified according to Article 21 para. 1 of the German Securities Trading Act ("WpHG") as follows:

Table 19 Reports according to Article 21 Para. 1 of the German Securities Trading Act

SHAREHOLDER	STOCK DECLARATION AS AT	MISSED (–) OR EXCEEDED (+) THRESHOLDS	NEW VOTING RIGHT SHARE	NUMBER OF VOTING RIGHTS	OF WHICH HELD AS TREASURY SHARES	OF WHICH TO BE ASSIGNED
		IN %	IN %	IN INDIVIDUAL SHARES	IN %	IN %
CLEF Holding AG, Beckenried, Switzerland	25.07.2016	3 (–)	0.0000	0	0.0000	0.0000
Axxion S.A., Grevenmacher, Luxembourg	08.06.2016	3 (–)	2.8200	325,000	2.8200	0.0000
Marion Sinner, Germany	14.01.2016	30, 25, 20, 15, 10, 5, 3 (–)	0.0000	0	0.0000	0.0000
Internationale Kapitalanlage-gesellschaft mbH, Düsseldorf, Germany	08.09.2015	5 (+)	5.1500	594,758	5.1500	2.2000
CLEF Trading AG, Beckenried, Switzerland	27.10.2014	3 (–)	1.3100	151,415	1.3100	0.0000
SinnerSchrader AG, Hamburg, Germany	26.09.2014	3 (–)	2.8754	331,906	2.8754	0.0000
Alexander Spohr, Germany	28.11.2013	30, 25, 20, 15, 10, 5, 3 (–)	0.1487	17,165	0.1487	0.0000
Debby Vermögensverwaltung GmbH, Germany	12.09.2008	30, 25, 20, 15, 10, 5, 3 (–)	0.0000	0	0.0000	0.0000
Thomas Dyckhoff, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.4328	49.4782
Matthias Schrader, Germany	13.02.2006	50 (–)	49.9110	5,761,106	20.2956	29.6154
Oliver Sinner, Germany	13.02.2006	50 (–)	49.9110	5,761,106	9.0899	40.8211
Detlef Wichmann, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.9963	48.9147
Sebastian Dröber, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.6065	49.3045
Wolfgang Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Agneta Peleback-Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Michael Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Cornelia Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Holger Blank, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0008	49.1223
Bernward Beuleke, Germany	12.01.2005	50 (–)	49.2256	5,681,995	0.1538	49.0718
Dirk Lehmann, Germany	12.01.2005	50 (–)	49.1322	5,671,214	0.0604	49.0718
Jessica Schmidt, Germany	12.01.2005	50 (–)	49.1244	5,670,314	0.2179	48.9065
Dr. Markus Conrad, Germany	12.01.2005	50 (–)	49.1231	5,670,164	1.1046	48.0185
Gerd Stahl, Germany	30.06.2003	50 (–)	49.9500	5,765,611	2.7700	47.1800
Matthias Fricke, USA	30.06.2003	50 (–)	49.9500	5,765,611	2.1000	47.8500

11.7 Declaration of Conformity on the Acceptance of Recommendation of the "Government Commission on the German Corporate Governance Code"

On 10 December 2015 the Management Board and Supervisory Board submitted the Declaration of Conformity with the Corporate Governance Code required under Article 161 of the German Stock Corporation Act and made it permanently available to shareholders on the Company's website.

Hamburg, 14 November 2016

The Management Board

Matthias Schrader Thomas Dyckhoff

Auditor's Report

We have audited the consolidated financial statements prepared by SinnerSchrader Aktiengesellschaft, Hamburg, comprising the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flow and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of SinnerSchrader Aktiengesellschaft, for the financial year from 1 September 2015 to 31 August 2016. The preparation of the consolidated financial statements and combined management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315 a para. 1 HGB are the responsibility of the parent company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315 a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Hamburg, 15 November 2016

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Götze	Florian Riedl
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the SinnerSchrader Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the joint consolidated status report and group status report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 14 November 2016

The Management Board

Matthias Schrader Thomas Dyckhoff

03

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Balance Sheets

as at 31 August 2016

Assets in €	31.08.2016	31.08.2015
Fixed assets		
Intangible assets:		
Concessions, industrial property rights and similar rights, and assets, as well as licences in such rights and assets	69,098	142,386
Tangible assets:		
Other equipment, plant, and office equipment	598,579	653,728
Leasehold improvements	15,933	43,920
Total tangible assets	**614,512**	**697,648**
Financial assets:		
Shares in affiliated companies	28,589,850	28,589,850
Receivables from affiliated companies > 1 year	361,121	361,121
Total financial assets	28,950,971	28,950,971
Total fixed assets	**29,634,581**	**29,791,005**
Current assets		
Receivables and other assets:		
Trade receivables	81,069	1,253
Receivables from affiliated companies	4,787,180	5,469,746
Other assets	104,056	72,094
Total receivables and other assets	4,972,305	5,543,093
Cash on hand and in banks	2,426,852	1,285,954
Total current assets	**7,399,157**	**6,829,047**
Prepaid expenses	87,168	99,056
Total assets	**37,120,906**	**36,719,108**

Liabilities and shareholders' equity in €	**31.08.2016**	**31.08.2015**
Total shareholders' equity		
Subscribed capital (conditional capital: €1,150,000; previous year: €1,150,000)	11,542,764	11,542,764
Treasury stock	–298,042	–59,239
Issued share capital	11,244,722	11,483,525
Capital surplus	2,939,522	2,931,614
Reserves:		
Other reserves	16,758,632	17,656,472
Retained earnings/accumulated deficit	3,255,911	2,105,387
Total shareholders' equity	**34,198,787**	**34,176,998**
Accruals		
Accrued taxes	1,829,797	1,545,529
Other accrued liabilities	700,063	527,540
Total accrued liabilities	**2,529,860**	**2,073,069**
Liabilities		
Trade payables	136,396	79,604
thereof with a remaining term up to one year: €136,396 (previous year: €79,604)		
Liabilities to affiliated companies	55,686	66,185
thereof with a remaining term up to one year: €55,686 (previous year: €66,185)		
Other liabilities	142,702	278,472
thereof with a remaining term up to one year: €142,702 (previous year: €278,472)		
thereof taxes: €128,110 (previous year: €277,715)		
Total liabilities	**334,784**	**424,261**
Prepaid expenses	—	8,000
Deferred taxes	57,475	36,780
Total liabilities and shareholders' equity	**37,120,906**	**36,719,108**

Statements of Operations

for the 2015/2016 financial year

in €	2015/2016	2014/2015
Revenues	5,641,510	4,880,899
Other operating income	592,088	329,424
Personnel expenses:		
Wages and salaries	–2,570,695	–2,309,855
Social security	–553,275	–405,998
Total personnel expenses	**–3,123,970**	**–2,715,853**
Depreciation of intangible assets, property, and equipment	–212,120	–228,555
Other operating expenses	–3,649,329	–3,152,905
Income from profit/loss transfer agreement	4,512,231	5,813,026
Other interest and similar income	26,014	2,607
thereof from affiliated companies: € 24,388 (previous year: € 242)		
Interest and similar expenses	–14,421	–41,459
thereof from affiliated companies: € 12,190 (previous year: € 38,058)		
Income from ordinary activities	**3,772,003**	**4,887,184**
Income tax	–1,255,513	–1,524,126
thereof deferred taxes: € –20,696 (previous year: € –79,921)		
Other taxes	–4,938	–490
Net income	**2,511,552**	**3,362,568**
Profit brought forward from previous year	2,105,387	1,772,406
Dividend	–1,361,028	–1,348,303
Profit brought forward from previous year	744,359	424,103
Withdrawal from revenue reserves:		
from other revenue reserves	—	—
Additions to revenue reserves:		
to other revenue reserves	—	–1,681,284
Net income	**3,255,911**	**2,105,387**

Notes

for the 2015/2016 financial year

1 Statutory Foundations

The annual report of SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG" or "Company") has been compiled in accordance with the regulations of the German Commercial Code ("Handelsgesetzbuch") and the German Stock Corporation Act ("Aktiengesetz") as well as the additional provisions of the Statutes.

The Company is deemed to be a large corporation within the meaning of Article 267 para. 3 sentence 2 of the German Commercial Code ("HGB") in conjunction with Article 264d of the HGB. The Statement of Operations was prepared using the total-cost method according to Article 275 para. 2 of the HGB.

The assessment is carried out on the basis of a going concern assumption.

2 Accounting and Valuation Principles

The report has been compiled in euros (€).

Intangible assets and property and equipment are reported at acquisition costs, less scheduled depreciation. Depreciation is linear in accordance with the usage period. Depreciation for purchased software is linear over an estimated usage period of at least three years. A usage period of three years is generally assumed for computer hardware, four to eight years for other electronic and electrical devices and equipment and eight to thirteen years for office furniture. Low-value assets are fully depreciated in the year of acquisition. Depreciation of leasehold improvements is linear over the remaining term of the rental contract.

Financial assets are reported at acquisition costs or the lower fair value on the balance sheet date if a permanent reduction in value is anticipated.

If the value of the fixed assets determined according to the principles above is higher than the value to be ascribed to them on the report date, this shall be taken account of by means of non-scheduled depreciation. If the reasons for depreciation implemented in previous financial years no longer pertain, the original value will be reinstated.

Receivables and other assets are reported at their face value. Long-term, non-interest bearing accounts receivable with a remaining term of more than one year will be subject to interest according to the average market rate of interest corresponding to the remaining term and published by the Deutsche Bundesbank. Foreign currency receivables are all valued at the original rate. Valuation is carried out at the average spot exchange rate on the balance sheet date for a remaining term of up to one year. For a remaining term of more than one year, the valuation at the average spot exchange rate takes account of the imparity principle as well as the principles of acquisition cost and of realisation.

Cash on hand and credit with banks are recognised at their face value.

Other accrued expenses cover all identifiable risks and uncertain liabilities. Valuation is at the level of the amount to be paid that is deemed necessary according to sound business judgement. Future increases in prices and costs were taken into account when the obligation was assessed. Long-term reserves with anticipated settlement dates after one year will be subject to interest according to the average market rate of interest corresponding to the remaining term and published by the Deutsche Bundesbank.

Liabilities are reported at the amount to be paid. Long-term, non-interest bearing liabilities with a remaining term of more than one year will be subject to interest according to the average market rate of interest corresponding to the remaining term and published by the Deutsche Bundesbank. Foreign currency liabilities are all valued at the exchange rate on the date of acquisition. Valuation is carried out at an average spot exchange rate on the balance sheet date for a remaining term of up to one year. For a remaining term of more than one year, the valuation at the average spot exchange rate takes account of the imparity principle as well as the principles of acquisition cost and of realisation.

Deferred taxes are formed in accordance with Article 274 para. 1 of the HGB for differences between the commercial law valuation of assets, liabilities and deferred income and the tax law valuation of assets, which will probably diminish in subsequent financial years. Tax loss carry-forwards are taken into account when calculating deferred tax assets in the amount of the offsetting to be expected within the next four years. Deferred taxes are balanced in the balance sheet (Article 274 para. 1 sentence 2 of the HGB). If there is a tax reduction overall (asset surplus), capitalisation pursuant to Article 274 para. 1 sentence 2 of the HGB will not be exercised. Any tax burden is posted as a deferred tax liability in the balance sheet. In the Statement of Accounts, a change in deferred taxes is posted separately under the “Income tax” item.

3 Explanations of Balance Sheet Items

3.1 Fixed Assets

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

Table 1 Assets table

ACQUISITION COSTS IN €	01.09.2015	ADDITIONS	DISPOSALS	31.08.2016
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	832,981	5,201	—	838,182
Tangible assets:				
Other equipment, plant and office equipment	1,654,745	53,174	49,735	1,658,184
Leasehold improvements	504,545	692	1,127	504,110
Total	2,159,290	53,866	50,862	2,162,294
Financial assets:				
Shares in affiliated companies	34,147,450	—	—	34,147,450
Loans to affiliated companies	361,121	—	—	361,121
Total	34,508,571	—	—	34,508,571
Total acquisition costs	**37,500,842**	**59,067**	**50,862**	**37,509,047**

ACCUMULATED DEPRECIATION IN €	01.09.2015	ADDITIONS	DISPOSALS	31.08.2016
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	690,595	78,489	—	769,084
Tangible assets:				
Other equipment, plant and office equipment	1,001,017	104,954	46,366	1,059,605
Leasehold improvements	460,625	28,677	1,125	488,177
Total	1,461,642	133,631	47,491	1,547,782
Financial assets:				
Shares in affiliated companies	5,557,600	—	—	5,557,600
Loans to affiliated companies	—	—	—	—
Total	5,557,600	—	—	5,557,600
Total accumulated depreciation	**7,709,837**	**212,120**	**47,491**	**7,874,466**

NET BOOK VALUES IN €	31.08.2015			31.08.2016
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	142,386			69,098
Tangible assets:				
Other equipment, plant and office equipment	653,728			598,579
Leasehold improvements	43,920			15,933
Total	697,648			614,512
Financial assets:				
Shares in affiliated companies	28,589,850			28,589,850
Loans to affiliated companies	361,121			361,121
Total	28,950,971			28,950,971
Total net book values	**29,791,005**			**29,634,581**

The amount lent to the affiliated company SinnerSchrader Praha s.r.o. depends on the successful establishment of the The amount lent to the affiliated company SinnerSchrader Praha s.r.o. depends on the successful establishment of the subsidiary in Prague. This results in a non-permanent impairment in the amount of the loan recognised on the balance sheet date.

3.2 Receivables and other Assets

As at 31 August 2016 receivables and other assets amounted to € 4,972,305 (previous year: € 5,543,093); of these, receivables in the amount of € 21,258 (previous year: € 44,908) had a remaining term of more than one year. All other receivables and other assets in the amount of € 4,951,047 (previous year: € 5,498,185) had a remaining term of up to one year.

The receivables from affiliated companies in the amount of € 4,787,180 (previous year: € 5,469,746) included liabilities of € 2,065,750 (previous year: € 1,990,955) which were to be balanced as at 31 August 2016. The gross item comprises trade accounts receivable in the amount of € 1,727,806 (previous year: € 1,445,274), receivables from the transfer of profits and dividends in the amount of € 4,512,231 (previous year: 5,813,026), current loan receivables in the amount of € 600,000 (previous year: € 200,000), other receivables in the amount of € 7,293 (previous year: € 2,401) and interest receivables in the amount of € 5,600 (previous year: € 0).

As at the reporting date, liabilities to affiliated companies offset against the receivables comprised investments of liquid funds by subsidiaries in SinnerSchrader AG within the context of central liquidity management in the amount of € 1,440,257 (previous year: € 1,749,683) as well as trade accounts payable in the amount of € 623,297 (previous year: € 237,045) and interest payable in the amount of € 2,196 (previous year: € 1,027). In the previous year, net liabilities also included other liabilities in the amount of € 3,200.

The other assets in the amount of € 104,056 as at 31 August 2016 (previous year: € 72,094) comprised a discounted reimbursement claim from corporation tax credits in the amount of € 44,908 (previous year: € 66,166) and debit-side vendor items in the amount of € 45,408 (previous year: € 0). In addition, the other receivables contained transitory items, deposits paid and entitlements to continued payment of salary in the amount of € 13,740 (previous year: € 5,928).

3.3 Prepaid Expenses

The prepaid expenses in the amount of € 87,168 (previous year: € 99,056) largely consist of payments relating to the year for investor relations services, insurance policies, maintenance contracts and a contingency for job advertisements.

3.4 Shareholders' Equity

The development of shareholders' equity in the 2015/2016 financial year is summarised in the table below:

Table 2 Shareholders' equity

in €	31.08.2015	PURCHASE OF TREASURY STOCK	RE-ISSUANCE OF TREASURY STOCK	DIVIDEND 2013/2014	NET INCOME 2014/2015	31.08.2016
Subscribed capital	11,542,764	—	—	—	—	11,542,764
Treasury stock	–59,239	–288,803	50,000	—	—	–298,042
Capital surplus	2,931,614	—	7,908	—	—	2,939,522
Reserves:						
Other reserves	17,656,472	–935,432	37,592	—	—	16,758,632
Retained earnings	2,105,387	—	—	–1,361,028	2,511,552	3,255,911
Total shareholders' equity	**34,176,998**	**–1,224,235**	**95,500**	**–1,361,028**	**2,511,552**	**34,198,787**

3.4.1 Subscribed Capital

As at 31 August 2016, the Company's subscribed capital amounted to € 11,542,764. It was made up of 11,542,764 individual no-par-value share certificates with a calculated face value of € 1 issued in the name of the owner. The Annual General Meeting of 20 December 2012 authorised the Management Board to increase the share capital once or repeatedly by up to a total of € 5,770,000 until 19 December 2017 with the approval of the Supervisory Board by issuing new individual share certificates in return for a contribution in cash or a contribution in kind ("Approved Capital 2012"). The shareholders shall be granted a subscription right with restrictions.

The Annual General Meeting Resolution of 23 January 2007 created conditional capital in the amount of € 600,000 ("Conditional Capital III") to grant rights to employees and Board members of the Company or affiliated companies to draw 600,000 no-par value share certificates ("2007 Stock Option Plan"). A total of 545,000 options were granted from the 2007 Stock Option Plan, from which options were available for allocation until 31 December 2011. Of the issued options, 175,000 options were cancelled and 241,667 options were exercised in the period up to 31 August 2015. In the 2015/2016 financial year, 50,000 options were exercised at an average exercise price of € 1.91, there are no options expired. As at 31 August 2016, 78,333 options from the 2007 Stock Option Plan with an average exercise price of € 2.30 were thus still outstanding.

In an Annual General Meeting resolution of 20 December 2012, SinnerSchrader AG created new conditional capital in the amount of € 550,000 ("Conditional Capital 2012") and adopted the 2012 SinnerSchrader Stock Option Plan to grant share options for the sale of a total of 550,000 shares to members of the Management Board of SinnerSchrader AG (100,000 options) and members of the management of the companies affiliated with SinnerSchrader AG (300,000 options) as well as selected employees with management functions in SinnerSchrader AG and the companies affiliated with SinnerSchrader AG (150,000 options).

The exercise price for options granted as part of the 2012 Plan may not be less than the average of the closing prices of the shares in SinnerSchrader AG in the Xetra trading system of Deutsche Börse AG (or a corresponding successor system) on the twenty trading days prior to the date of allocation, but not less than the lowest issue price within the meaning of Article 9 para. 1 of the German Stock Corporation Act (AktG). The options can be exercised at the earliest four years after their allocation. The options may not be exercised until the average of the closing prices of the shares in SinnerSchrader AG in the Xetra trading system of Deutsche Börse AG (or a corresponding successor system) exceeds the exercise price by not less than 40 % on the twenty trading days prior to the exercise date (reference price). In addition to the absolute earnings target, a relative earnings target requiring that the share price of SinnerSchrader AG must have developed better than the TecDAX has been specified. The options in the 2012 plan must have been exercised not later than seven years after their date of allocation.

In the period up to 31 August 2015, 195,000 employee options with an average exercise price of € 2.10 had been issued from the 2012 Stock Option Plan. As at 31 August 2015, 40,000 of these options were cancelled. A total of 120,000 options with an average exercise price of € 3.69 were allocated in the 2015/2016 financial year. Of the options awarded in the previous years, 25,000 had to be cancelled. As at 31 August 2016, 250,000 options with an average exercise price of € 2.89 were thus outstanding.

3.4.2 Treasury Stock

As at 31 August 2016 the number of shares of treasury stock amounted to 298,042, with a calculated face value of € 298,042. On the basis of the 59,239 shares of treasury stock purchased at an average acquisition price of € 1.79 per share as at 31 August 2015, the number of shares of treasury stock increased by 238,803 shares in the 2015/2016 financial year. A total of 288,803 shares of treasury stock were bought back on the market at an average purchase price of € 4.24 per share and, within the context of exercising employee options, 50,000 shares of treasury stock, acquired at an average price of € 1.75, were issued to employees. The average acquisition price for the 298,042 shares as at 31 August 2016 was thus € 4.17. The stock comprised 9,239 and 288,803 shares, respectively, which were bought back in the 2013/2014 and 2015/2016 financial years.

The stock of treasury shares as at 31 August 2016 represented 2.58 % of the share capital. The shares are held with respect to use for the purposes named in the relevant Annual General Meeting resolutions.

The use of other revenue reserves in the amount of the difference between the acquisition costs and the calculated face value of the shares amounting to € 935,432

resulted from the buying back of 288,803 shares in the 2015/2016 financial year. The incidental acquisition costs in the amount of € 6,121 incurred for the buy-backs were reported with an effect on net income in the other operating expenses.

The difference between the original acquisition costs and the calculated face value of the 50,000 shares of treasury stock issued in the 2015/2016 financial year resulted in € 37,592 being posted to other revenue reserves. The issuing of the shares also resulted in the posting of € 7,908 to the capital reserve.

3.4.3 Capital Reserve

In the 2015/2016 financial year, due to the issuing of treasury stock as part of exercising employee options, the capital reserve rose by € 7,908, from € 2,931,614 on 31 August 2015 to € 2,939,522 on 31 August 2016, since the average exercise price of the options was higher than the average purchase price of the shares.

Table 3a Capital reserve in €

As at 31.08.2015	**2,931,614**
Allocation to capital reserve	7,908
As at 31.08.2016	**2,939,522**

3.4.4 Other Revenue Reserves

Table 3b Other revenue reserves in €

As at 31.08.2015	**17,656,472**
Purchase of treasury stock	–935,432
Re-issuance of treasury stock	37,592
Additions to other revenue reserves acc. to Art. 58 para. 2 AktG	—
As at 31.08.2016	**16,758,632**
thereof:	
from allocation to other revenue reserves acc. to Art. 58 para. 2a AktG	13,030,658
from remaining allocation to other revenue reserves acc. to Art. 58 para. 2 AktG	4,669,501
difference between nominal value and acquisition costs of treasury stock	–941,527

In the 2015/2016 financial year, other revenue reserves decreased by a total of € 897,840 to € 16,758,632 as at 31 August 2016.

An increase in revenue reserves resulted from the difference between the original acquisition costs and the calculated face value of the shares of treasury stock issued in the financial year. By contrast, the revenue reserves fell by the difference between the acquisition costs and the calculated face value of the share buy-backs.

3.5 Accrued Expenses

3.5.1 Accrued Taxes

Accrued taxes amounted to € 1,829,797 as at 31 August 2016 (previous year: € 1,545,529). This item includes reserves for the preceding financial year in the amount of € 1,224,509 and for the 2013/2014 financial year in the amount of € 11,231, as well as tax receivables resulting from tax declared for the 2012/2013 financial year, comprising corporation tax and commercial tax, offset in the amount of € 119,560 and € 126,562, respectively. As at the balance sheet date, tax accruals for the 2015/2016 financial year comprised reserves for corporation tax of € 423,545 (previous year: € 605,606) and reserves for commercial tax of € 416,634 (previous year: € 618,903).

3.5.2 Other Accrued Expenses

Other accrued expenses in the amount of € 700,063 (previous year: € 527,540) were mainly formed for outstanding invoices (€ 269,029), financial reporting and auditing costs (€ 84,760) and for personnel costs (€ 376,274 for holiday, fees and variable and overtime pay).

3.6 Liabilities

The liabilities as at 31 August 2016 in the amount of € 334,784 (previous year: € 424,261) all had a remaining term of less than a year. They mainly comprised trade accounts payable in the amount of € 136,396 (previous year: € 79,604), income tax and church tax levies and turnover tax liabilities that are not yet due and have been combined in other liabilities in the amount of € 128,110 (previous year: € 277,715) and liabilities to affiliated companies in the amount of € 55,686 (previous year: € 66,185).

Net liabilities to affiliated companies comprised a credit item as part of the system of internal cost allocations, against which the other receivables in the amount of € 8,033 were offset. In the preceding financial year, the net liabilities to affiliated companies comprised only internal cost allocations.

3.7 Deferred Tax Liabilities

As part of calculating deferred taxes, deferred tax liabilities resulted from taxable, quasi-permanent differences in the shares in affiliated companies. The resulting deferred tax liabilities in the amount of € 276,204 (previous year: € 276,204) were used to offset deferred tax assets from the incorporated companies in the amount of € 218,729 (previous year: € 239,424), which mainly resulted from valuation differences for reserves and acquired goodwill.

The statutory tax rate of 32.3 % was used for the calculation of deferred tax assets and liabilities as at 31 August 2016. It is made up of the commercial tax rate of 16.5 %, the corporation tax rate of 15 % and the solidarity surcharge of 5.5 % on the corporation tax rate.

4 Explanations of statements of operations items

4.1 Revenues

SinnerSchrader AG earned revenues in the amount of € 5,641,510 almost solely by providing services for subsidiary companies. Of this amount, revenue of € 72,541 was achieved with the Czech subsidiary SinnerSchrader Praha s.r.o.; the other revenues were all earned with German subsidiaries.

4.2 Other Operating Income

The other operating income in the amount of € 592,088 contains income from costs passed on to subsidiaries and landlords, income from the granting of non-cash benefits to employees, insurance indemnification and out-of-period income in the amount of € 10,417 generated from the resolution of reserves and from the write-off of liabilities barred by the statute of limitations.

4.3 Income from Profit/Loss Transfer Agreement

In December 2014, SinnerSchrader AG concluded a profit and loss transfer agreement with its full subsidiary SinnerSchrader Deutschland GmbH, which was approved by the Annual General Meeting of 21 January 2015. Income of € 4,099,208 was earned from the profit and loss transfer agreement in the 2015/2016 financial year.

The control and profit and loss transfer agreement concluded between SinnerSchrader AG and next commerce GmbH on 7 November 2011, which was approved by the Company's Annual General Meeting of 15 December 2011, remains valid after the change of the company's name to Commerce Plus GmbH. Income of € 413,023 was earned from the profit and loss transfer agreement in the 2015/2016 financial year.

4.4 Other Operating Expenses

Other operating expenses in the amount of € 3,649,329 mainly consist of office space costs, communication costs, advertising costs, representation costs, legal and consulting costs, and other administrative costs.

4.5 Interest Income and Expenses

Interest income comes from the granting of loans to affiliated companies and from interest earned on the corporation tax credit according to Article 37 of the Corporation Tax Act ("KStG"). The interest expenses mainly arose within the central liquidity management that the Company operates for the domestic group.

5 Other Information

5.1 Contingencies and Other Financial Obligations

The other financial obligations concern fixed-term rental agreements for the office premises at the locations in Hamburg, Frankfurt am Main, and Munich, with minimum remaining terms of 3 to 59 months. The other financial obligations concern leasing contracts for company vehicles with remaining terms of 22 to 29 months. In the years ahead, rent contracts and leasing agreements will result in other financial obligations in the total amount shown in Table 4:

Table 4 Obligations from rent and lease contracts in €

01.09.2016 – 31.08.2017	1,334,560
01.09.2017 – 31.08.2018	1,420,400
01.09.2018 – 31.08.2019	1,199,944
01.09.2019 – 31.08.2020	1,098,447
01.09.2020 – 31.08.2021	1,006,910
After 31.08.2021	–
Total	**6,060,261**

5.2 Employees

On average over the 2015/2016 financial year, there were 47 (previous year: 44) employees in the Company.

5.3 Management Board

In the 2015/2016 financial year, the following people were appointed to the Management Board:

- Matthias Schrader, Chairman, appointed until 31 December 2020
  - Businessman, Hamburg, Germany
- Thomas Dyckhoff, Finance Director, appointed until 31 December 2021
  - Businessman, Hamburg, Germany

The Management Board members conducted their activities as their principal profession. The compensation of the Management Board members is made up as follows:

Table 5 Compensation of the Management Board members 2015/2016 in €

	NON PERFORMANCE-RELATED COMPENSATION		PERFORMANCE-RELATED COMPENSATION	COMPENSATION COMPONENTS WITH A LONG-TERM INCENTIVE EFFECT	
	FIXED SALARY	OTHER BENEFITS	SHORT-TERM OBJECTIVES	MEDIUM-TERM OBJECTIVES	SHARE-BASED COMPENSATION
Matthias Schrader	210,000	11,592	114,980	19,750	–
Thomas Dyckhoff	160,000	9,679	93,070	18,750	–
Total	**370,000**	**21,271**	**208,050**	**38,500**	**–**

The total compensation of the Management Board in the 2015/2016 financial year was € 637,821. Premiums for the D&O insurance for members of the Management Board were € 16,999, unchanged from the previous year.

In the 2015/2016 financial year after the end of the period comprising three financial years, reserves in the amount of € 38,500 were accumulated for variable remuneration on the basis of medium-term goals. In the 2014/2015 financial year, the reserves established in the 2013/2014 year were reversed in recognition of profit or loss.

The members of the Management Board are subject to a post-contractual ban on competition that makes provision for compensation in the amount of 50 % of the most recently received non performance-related annual pay. With respect to the severance payments, it has been agreed with the members of the Management Board that they must comply with the recommendations of the Corporate Governance Code No. 4.2.3.

5.4 Supervisory Board

In the financial year, the Supervisory Board had the following members:

- Dieter Heyde, Chairman
  - MBA, Bad Nauheim, Germany
  - Managing Partner of SALT Solutions GmbH, Würzburg, Germany
  - Member of the Advisory Board of CCP Software GmbH, Marburg, Germany
- Prof. Cyrus D. Khazaeli, Deputy Chairman
  - Communications Designer, Berlin, Germany
  - Professor of Communication and Interaction Design at Berliner Technische Kunsthochschule [Berlin Technical Academy of Art], Berlin, Germany
- Philip W. Seitz
  - Lawyer, Hamburg, Germany
  - General Counsel & Director of Government Affairs of Tchibo GmbH, Hamburg, Germany

The compensation for Supervisory Board members in the total amount of € 45,000 was made up as follows in the 2015/2016 financial year:

Table 6 Compensation of the Supervisory Board members 2015/2016 in €

	FIXED SALARY
Dieter Heyde	20,000
Prof. Cyrus D. Khazaeli	12,500
Philip W. Seitz	12,500
Total	**45,000**

In the 2015/2016 financial year, the share of the premium for D&O insurance accounted for by the Supervisory Board was unchanged over the previous year at € 834.

5.5 Participations

The participations held by SinnerSchrader Aktiengesellschaft as at 31 August 2016 are broken down as follows:

Table 7 Participations of SinnerSchrader AG

COMPANY	SHARE IN %	CURRENCY	NOMINAL CAPITAL	SHAREHOLDERS' CAPITAL	LAST ANNUAL RESULT	PROFIT/ LOSS TRANSFER AGREEMENT	REPORTING PERIOD
SinnerSchrader Deutschland GmbH, Hamburg, Germany	100.00	EUR	75,000	75,000	4,099,208[1]	yes	01.09.15–31.08.16
Commerce Plus GmbH, Hamburg, Germany	100.00	EUR	25,000	1,490,651	413,023[1]	yes	01.09.15–31.08.16
Commerce Plus Consulting GmbH, Hamburg, Germany[2]	100.00	EUR	25,000	25,000	17,688[1]	yes	01.09.15–31.08.16
SinnerSchrader UK Ltd., London, UK[3]	100.00	GBP	100,000	–828,209	–28,326	no	01.09.15–31.08.16
SinnerSchrader Benelux BV, Rotterdam, The Netherlands[3]	100.00	EUR	18,000	–256,717	–10,265	no	01.01.15–31.12.15
NEXT AUDIENCE GmbH, Hamburg, Germany	100.00	EUR	765,400	529,106	290,204	no	01.09.15–31.08.16
SinnerSchrader Content GmbH, Hamburg, Germany[4]	100.00	EUR	25,000	54,759	846,636[1]	yes	01.09.15–31.08.16
SinnerSchrader Mobile GmbH, Berlin, Germany	100.00	EUR	25,000	640,211	–430,887	no	01.09.15–31.08.16
Swipe GmbH, Hamburg, Germany[5]	100.00	EUR	25,000	144,148	141,539	no	01.09.15–31.08.16
SinnerSchrader Praha s.r.o., Prague, Czech Republic	100.00	CZK	200,000	–11,366,431	2,617,742	no	01.09.15–31.08.16

1) Before profit-transfer
2) The company is a 100 % subsidiary of Commerce Plus GmbH.
3) The company's activities have currently been temporarily discontinued; respective shares were written off in the year the activity was discontinued. Audited financial statements of the company are not available.
4) The company is a 100 % subsidiary of NEXT AUDIENCE GmbH.
5) The company is a 100 % subsidiary of SinnerSchrader Mobile GmbH.

5.6 Major Events after the Balance Sheet Date

There were no major events after the balance sheet date that should be reported.

5.7 Declaration of Compliance under Article 161 of the German Stock Corporation Act

On 10 December 2015, the Management Board and the Supervisory Board submitted the Declaration of Compliance with the Corporate Governance Code required by Article 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on the Company's website.

5.8 Information According to Article 160 Para. 1 No. 8 of the German Stock Corporation Act

As at 31 August 2016 the participating interests in the Company, which have been notified according to Article 21 para. 1 of the German Securities Trading Act ("Wertpapierhandelsgesetz", "WpHG"), were as follows:

Table 8 Reports according to Article 21 Para. 1 of the German Securities Trading Act

SHAREHOLDER	STOCK DECLARATION AS AT	MISSED (–) OR EXCEEDED (+) THRESHOLDS	NEW VOTING RIGHT SHARE	NUMBER OF VOTING RIGHTS	OF WHICH HELD AS TREASURY SHARES	OF WHICH TO BE ASSIGNED
		IN %	IN %	IN INDIVIDUAL SHARES	IN %	IN %
CLEF Holding AG, Beckenried, Switzerland	25.07.2016	3 (–)	0.0000	0	0.0000	0.0000
Axxion S.A., Grevenmacher, Luxembourg	08.06.2016	3 (–)	2.8200	325,000	2.8200	0.0000
Marion Sinner, Germany	14.01.2016	30, 25, 20, 15, 10, 5, 3 (–)	0.0000	0	0.0000	0.0000
Internationale Kapitalanlage-gesellschaft mbH, Düsseldorf, Germany	08.09.2015	5 (+)	5.1500	594,758	5.1500	2.2000
CLEF Trading AG, Beckenried, Switzerland	27.10.2014	3 (–)	1.3100	151,415	1.3100	0.0000
SinnerSchrader AG, Hamburg, Germany	26.09.2014	3 (–)	2.8754	331,906	2.8754	0.0000
Alexander Spohr, Germany	28.11.2013	30, 25, 20, 15, 10, 5, 3 (–)	0.1487	17,165	0.1487	0.0000
Debby Vermögensverwaltung GmbH, Germany	12.09.2008	30, 25, 20, 15, 10, 5, 3 (–)	0.0000	0	0.0000	0.0000
Thomas Dyckhoff, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.4328	49.4782
Matthias Schrader, Germany	13.02.2006	50 (–)	49.9110	5,761,106	20.2956	29.6154
Oliver Sinner, Germany	13.02.2006	50 (–)	49.9110	5,761,106	9.0899	40.8211
Detlef Wichmann, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.9963	48.9147
Sebastian Dröber, Germany	13.02.2006	50 (–)	49.9110	5,761,106	0.6065	49.3045
Wolfgang Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Agneta Peleback-Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Michael Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Cornelia Herz, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0000	49.1231
Holger Blank, Germany	12.01.2005	50 (–)	49.1231	5,670,164	0.0008	49.1223
Bernward Beuleke, Germany	12.01.2005	50 (–)	49.2256	5,681,995	0.1538	49.0718
Dirk Lehmann, Germany	12.01.2005	50 (–)	49.1322	5,671,214	0.0604	49.0718
Jessica Schmidt, Germany	12.01.2005	50 (–)	49.1244	5,670,314	0.2179	48.9065
Dr. Markus Conrad, Germany	12.01.2005	50 (–)	49.1231	5,670,164	1.1046	48.0185
Gerd Stahl, Germany	30.06.2003	50 (–)	49.9500	5,765,611	2.7700	47.1800
Matthias Fricke, USA	30.06.2003	50 (–)	49.9500	5,765,611	2.1000	47.8500

5.9 Fee for the Statutory Audit

The Annual General Meeting on 21 January 2016 elected Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, as the auditor for the 2015/2016 financial year. With respect to the fees, we refer to the Consolidated Financial Statements of SinnerSchrader AG for the 2015/2016 financial year in accordance with Article 285 sentence 1 indent 17 of the German Commercial Code.

5.10 Additional Information

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

The following table shows the number of shares in SinnerSchrader AG and the number of subscription rights to shares held by directors of SinnerSchrader AG as at 31 August 2016 and any changes in the 2015/2016 financial year:

Table 9 Shares and options of the Board members in number

SHARES	31.08.2015	ADDITIONS	DISPOSALS	31.08.2016	
Management Board:					
Matthias Schrader	2,576,289	12,110	—	2,588,399	
Thomas Dyckhoff	109,950	—	—	109,950	
Total shares of the Management Board	**2,686,239**	**12,110**	**—**	**2,698,349**	
Supervisory Board:					
Dieter Heyde	—	—	—	—	
Prof. Cyrus D. Khazaeli	—	—	—	—	
Philip W. Seitz	—	—	—	—	
Total shares of the Supervisory Board	**—**	**—**	**—**	**—**	
Total shares of the Board members	**2,686,239**	**12,110**	**—**	**2,698,349**	

OPTIONS	31.08.2015	ADDITIONS	DISPOSALS	31.08.2016	CURRENT VALUE OF EACH SUBSCRIPTION RIGHT ON THE DATE OF GRANTING
Management Board:					
Matthias Schrader	—	—	—	—	
Thomas Dyckhoff	45,000	—	—	45,000	€ 0.48
Total shares of the Management Board	**45,000**	**—**	**—**	**45,000**	
Supervisory Board:					
Dieter Heyde	—	—	—	—	
Prof. Cyrus D. Khazaeli	—	—	—	—	
Philip W. Seitz	—	—	—	—	
Total shares of the Supervisory Board	**—**	**—**	**—**	**—**	
Total shares of the Board members	**45,000**	**—**	**—**	**45,000**	

Hamburg, 14 November 2016

The Management Board

Matthias Schrader Thomas Dyckhoff

Auditor's Report

We have audited the financial statements prepared by SinnerSchrader Aktiengesellschaft, Hamburg, comprising the statements of financial position and income as well as the notes to the financial statements, together with the management report, which is combined with the Group management report of SinnerSchrader Aktiengesellschaft, for the financial year from 1 September 2015 to 31 August 2016. The preparation of the financial statements and combined management report in accordance with the German commercial law are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the financial statements and on the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the generally accepted accounting principles and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with legal regulations and give a true and fair view of the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the generally accepted accounting principles. The combined management report is consistent with the financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Hamburg, 15 November 2016

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Götze	Florian Riedl
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements of SinnerSchrader Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit or loss of the AG, and the joint consolidated status report and group status report includes a fair review of the development and performance of the business and the position of the AG, together with a description of the principal opportunities and risks associated with the expected development of the AG.

Hamburg, 14 November 2016

The Management Board

Matthias Schrader Thomas Dyckhoff

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Key Figures
SinnerSchrader Group

Q1–Q4 2015/2016 According to IFRS

		Q4	Q3	Q2	Q1
Gross revenues	€000s	12,957	13,374	11,982	13,040
Net revenues	€000s	12,964	13,374	11,982	12,812
EBITDA	€000s	2,151	1,576	701	1,024
EBITA	€000s	1,982	1,403	515	835
EBIT	€000s	1,982	1,403	515	835
Net income	€000s	1,449	977	382	566
Net income per share, fully diluted	€	0.13	0.09	0.03	0.05
Cash flows from operating activities	€000s	3,692	–1,311	169	951
Employees, full-time equivalents	number	446	443	439	454

Five Years

		01.09.2015 31.08.2016	01.09.2014 31.08.2015	01.09.2013 31.08.2014	01.09.2012 31.08.2013	01.09.2011 31.08.2012
Gross revenues	€000s	51,353	51,975	51,355	41,263	41,664
Net revenues	€000s	51,131	47,690	48,601	36,401	35,984
EBITDA	€000s	5,452	3,826	3,858	1,430	2,297
EBITA	€000s	4,735	2,083	3,064	681	1,627
Relation of the EBITA to net revenues (operating margin)	%	9.3	4.4	6.3	1.9	4.5
EBIT	€000s	4,735	2,083	2,982	413	649
Net income	€000s	3,373	1,518	1,843	1	157
Net income per share, fully diluted	€	0.29	0.13	0.16	0.00	0.01
Cash flows from operating activities	€000s	3,500	1,679	1,517	2,439	2,094
Employees, full-time equivalents	number	446	478	444	406	388

		31.08.2016	31.08.2015	31.08.2014	31.08.2013	31.08.2012
Liquid funds and securities	€000s	6,099	5,559	5,833	5,949	5,197
Shareholders' equity	€000s	15,870	14,959	14,075	12,047	12,133
Balance sheet total	€000s	26,443	27,730	28,551	22,997	21,325
Shareholders' equity rate	%	60.0	53.9	49.3	52.4	56.9
Employees, end of period	number	505	506	521	451	420

Events & Contact Information

Financial Calendar 2016/2017

1st Quarterly Report 2016/2017 (September 2016–November 2016)	13 January 2017
Annual General Meeting 2015/2016	26 January 2017
2nd Quarterly Report 2016/2017 (December 2016–February 2017)	13 April 2017
3rd Quarterly Report 2016/2017 (March 2017–May 2017)	13 July 2017
Announcement of preliminary figures for the 2016/2017 financial year	October 2017
Annual Report 2016/2017	November 2017
Annual General Meeting 2016/2017	January 2018

Our previous reports are available online and for download on our website www.sinnerschrader.ag.

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