

# **Ad**LINKGROUP

**AdLINK Internet Media AG,  
Montabaur**

**Management Report  
and  
Group Management Report**

for Fiscal Year 2007

## **Management report of the company and the group**

### **ECONOMIC ENVIRONMENT**

The online advertising market enjoyed across-the-board growth in 2007 and exceeded the expectations of most analysts. The advertising industry invested €2.9 billion in online advertising in the past year, whereby experts were still forecasting €2.7 billion in September for classic online advertising, search word marketing and affiliate marketing. Despite this strong growth, online advertising once again failed to close the gap between online usage and its share of total advertising spend in 2007. This is a clear sign of the tremendous potential which this market still offers.

With growth of 63.6%, graphic advertising elements such as banners and wallpaper were well ahead of expectations. There was also strong growth (+38.7%) for affiliate networks, which generated sales of €215 million. The degree to which advertising spend is shifting toward online media is illustrated by a comparison of the proportionate spend on various advertising formats. This shows that the internet is not only the fourth largest advertising medium, but now accounts for a double-digit share of total advertising spend (approx. 12%). The trend toward online advertising is thus continuing: especially in comparison with classic advertising formats, which achieved average growth of 3.7% in 2007. The ongoing spread of fast internet connections will enable online advertising to become even more creative in future and will raise the proportion of motion graphics in visual advertising elements.

Although the Christmas season brought particularly high volumes in the months of November and December, online advertising made steady progress in general during 2007. According to figures of the German Online Marketing Group (Online-Vermarkterkreis - OVK), gross advertising spend has been consistently above €100 million per month since March 2007. As expected, December 2007 marked a new monthly record of €188.8 million. However, the fact that there was only a modest dip in monthly figures during the so-called “summer slump” (July/August), underlines the sustainable and growing importance of online advertising.

The OVK believes that the main reasons for online advertising’s growing importance

within the media mix lie in its highly efficient targeting possibilities and proven branding effects. The internet is already the target of many campaigns in classic advertising environments and advertisers now have access to excellent planning tools. The variety of environments and the important role which the internet now plays for wide sectors of the population have made the web an extremely attractive advertising medium. For younger people in particular, the internet has become the main source of information and thus more indispensable than other media (such as TV and radio) – further evidence of online advertising's excellent future prospects.

## **BUSINESS DEVELOPMENT OF THE GROUP**

### **Successful fiscal year with strong organic growth and a number of important investments in future growth**

2007 was a successful year in terms of our company's business development. Following a weaker start in the first six months, we enjoyed a very good second half-year and achieved a number of important milestones. We posted record levels of sales and earnings after minority interest with growth of 29% and 56%, respectively. This was achieved despite the numerous investments made during the year, especially for international expansion, which have laid the foundation for further strong growth in the coming years. In our Affiliate Marketing segment we invested in implementing and developing a standard pan-European technical platform with enhanced functionality and in Domain Marketing we strengthened our international business with the acquisition of the domain trading platform GreatDomains.

We also restructured the activities of our Display and Affiliate segments with the creation of a regional management team. The various European regions are now led by regional managers, who are responsible for our Display and Affiliate segments. This means that we can now provide customers even more swiftly with one-stop targeted advertising campaigns.

On April 13, 2007 we concluded a cooperation agreement with the Swiss Goldbach Group which affects our marketing in the Swiss and Austrian markets and regulates possible joint expansion into Eastern Europe. It was agreed with Goldbach Media AG, Küsnacht, Switzerland, that we would contribute our 50% stake in AdLINK

Internet Media AG Switzerland and 30% stake in AdLINK Internet Media GmbH Austria to Goldbach Media AG in return for a 19.4% shareholding in Goldbach Media AG. Following a capital increase in connection with the IPO of Goldbach Media AG on the SWX Swiss Exchange in June 2007, this shareholding was diluted to 14.99%.

### **AdLINK MEDIA is Europe's leading independent online network**

At the heart of AdLINK Media's business model is an advertising network of selected websites offering tremendous reach and content tailored to specific target groups. In Display Marketing (without cooperation partners) this network enables us to reach over 80 million users – or virtually every second internet user – in all relevant European markets and to market some 8.5 billion ad impressions per month. Space on these pages is booked by domestic and international advertising customers who use the network for branding activities or the direct sale of their products.

The past year was marked by numerous innovations and new developments. In August 2007 we successfully conducted our first "AdLINK Brand Day" in Germany. The highest reach websites in AdLINK Media's portfolio were devoted exclusively to one particular advertiser. AdLINK Media also expanded its portfolio of advertising formats with new developments of its in-house design studio in the field of "rich media". These new developments are based on market observations made by the AdLINK Group's research department, which continually monitors and analyzes the online advertising market. It was observed that there is currently a growing need especially for rich media formats among pan-European online advertisers. AdLINK Media responded quickly to this trend and can now offer advertisers tailored, attention-grabbing advertising formats. A further new development is "branded response", which we launched in the UK in the second half of 2007 and aim to successively roll out in further countries. This technology continually optimizes customer advertising and thus enhances the success of the respective campaign. We can run customer campaigns simultaneously on various websites which meet specified success criteria, and so raise the customer's return-on-investment. In order to cope with the increasingly international focus of our clients, we formed an "International Sales Coordination Team" in 2007. The team optimizes internal processes and reporting for cross-border campaigns and is the contact partner for our advertising clients. We have thus strengthened our "one-stop-shop" strategy and

can now serve customers more efficiently. AdLINK Media's alignment with this strategy is proving highly successful; in the past year, we raised our proportion of international campaigns by 38%.

### **Launch of international affilinet platform with new functions**

affilinet's business is based on a quality network for affiliate program operators and website owners to market products online. affilinet boasts a network of over 420,000 websites, more than 1,300 affiliate programs, over 6.2 billion ad impressions per month, high service quality and a flexible and user-friendly product. In Germany, affilinet is the leader in its segment. We are also active in affiliate marketing in the UK and France, thus covering Europe's most important nations for marketing and e-commerce.

For our wholly-owned French subsidiary, 2007 was dominated by technical migration to the affiliate platform already successfully operating in Germany and the UK. At the same time, the old brand was replaced and our affilinet brand successfully launched in France.

To mark its 10<sup>th</sup> year in business, affilinet launched its "Year of Innovations" in 2007. We were able to offer customers a wide variety of new and innovative advertising formats, such as "VideoAd" and "PagePeel". VideoAd enables advertisers to present even complex products and services in a creative way, in order to make them tangible and appealing to customers. This means that products can now be advertised which were previously regarded as being too complex for conventional online advertising formats. The advertiser can insert either current TV spots or self-generated video clips. The PagePeel format is a dynamically animated "dog-ear", which is placed discreetly but attractively in the corner of a website. When the user's mouse rolls over the PagePeel dog-ear, the page peels back to reveal the advertising. Once the mouse is rolled out of the advertising area, the PagePeel reverts to its original position. This type of unobtrusive advertising is showing high click and conversion rates, as the user can decide himself whether he wants to see more information. He is not hindered in his navigation by intrusive advertising, thus raising the efficiency of the advertiser's campaign.

In 2007 affilinet received the Innovation Award of “Initiative Mittelstand” in the “Online Marketing” category for its “affilimatch” technology. affilimatch enables “contextual targeting” for advertisers when using affiliate marketing. An advertiser’s product offers are automatically adapted to the content and topic areas of the publisher’s website, thus raising their advertising impact.

### **E-mail marketing with new data verification technology**

Our specialist for e-mail marketing, composite, made strong progress in the past year and successfully conducted over 1,500 e-mail campaigns – thanks to its close links with AdLINK Media. The main focus in 2007 was the completion of our technology platform for data verification as well as integrative cooperation with display advertising.

### **Good progress in 2007 for full-service agency net:dialogs**

In late 2006 we founded net:dialogs GmbH, a full-service agency specializing in direct and dialogue-based online marketing solutions. net:dialogs designs and conducts complete communication campaigns for effective and measurable target-group marketing in all digital media. The services and solutions for direct customers and media agencies range from online branding, address and profile data generation, online surveys, digital vouchers and opt-in e-mail programs to integrated customer retention systems (eCRM). Using net:dialogs’ special web-based software, customers can also utilize the entire international marketing network of the AdLINK Group. net:dialogs made strong progress in 2007 and succeeded in gaining customers such as VW, Alfa Romeo and Deutsche Telekom.

### **Sedo named Entrepreneur of the Year**

Sedo operates the global domain trading platform sedo.com which currently offers some 10.5 million domains. Sedo is thus the global market leader in the trading of registered internet addresses. In addition to the trading of domains, Sedo also enables domain owners to “park” their unused domains, i.e. to provide them for advertising purposes. Some 5.1 million domains are currently available for parking. Domain parking is equally interesting for domain owners and advertisers, as the automated process offers domain owners added value in the form of additional advertising revenue, while advertisers only pay for contacts actually established.

Sedo serves customers in over 200 countries from its facilities in Germany and the USA.

In October Sedo received the prestigious business award “Entrepreneur of the Year 2007” from a jury of renowned business experts. Organized by Ernst & Young, the competition identifies and honors entrepreneurial excellence in Germany.

2007 was dominated by a number of new alliances and investments. In the second quarter, the company announced the acquisition of its US competitor GreatDomains. The integration of GreatDomains.com was already successfully completed in the third quarter. GreatDomains specializes in premium domains and was the first trading platform to introduce online auctions. The first auctions for premium domains were successfully conducted in the third quarter.

In cooperation with the DotMobi Registry, Sedo auctioned a total of 300 premium .mobi addresses via the Sedo trading platform. 100 addresses were traded in the first auction, generating total revenue of USD 850,000. Bids were received from 34 different nations; the highest was USD 101,000 for hosting.mobi.

### **Further improvement in key indicators**

Our healthy financial figures result to some extent from the positive development of the AdLINK Group’s reach. The monthly ad impressions of our AdLINK Media network, for example, increased from 6.8 billion in 2006 to 8.5 billion. In total, the advertising network registered 81.6 million unique visitors per month throughout Europe. The number of advertising customers fell from 4,300 in 2006 to 3,875 in 2007. This was due to the trend toward increasing volumes per campaign in connection with our stronger focus on large advertising agencies.

The Domain Marketing segment continued to make encouraging progress: the number of domains on offer climbed from 6.6 million at year-end 2006 to over 10.4 million at the close of 2007. Of this total, 5.14 million domains (prior year: 3.66 million) were available for marketing. The number of registered vendors grew during the period under review from 440,000 to over 647,000.

The most important figures for Affiliate Marketing are the number of affiliated websites, the number of affiliate programs and the number of ad impressions per month. All of these figures were up strongly over the previous year: the number of affiliated websites grew from 404,000 to over 425,000, affiliate programs were up from 1,244 to 1,374 and monthly ad impressions increased from 4.9 billion to around 6.2 billion.

### **Employees**

On December 31, 2007 headcount amounted to 472 (prior year: 400). Of this total, 220 were employed outside Germany (prior year: 204). The strong increase in headcount resulted in part from the international expansion of our affiliate and domain marketing segments, as well as from the dynamic growth of the Group as a whole. Personnel expenses grew by 21.6% to €27.6 million.

The success of advertising services in the online sector depends to a large extent on the skills and motivation of a company's employees. In order to maintain a high level of expertise among AdLINK Group staff and permanently adapt to market requirements, we attach great importance to personnel development and training activities. We therefore offer staff a variety of training and development programs, including sales techniques, team building, change management and communication.

### **Principles of Management Board and Supervisory Board remuneration**

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of AdLINK Internet Media AG is performance-oriented and consists of fixed and variable elements. In addition, there are components providing long-term incentives in the form of convertible bonds and Stock Appreciation Rights (SARs). The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to sales and earnings figures. The variable component is limited to a certain maximum amount. There is no subsequent amendment of performance targets. There is no guaranteed minimum payment of the variable remuneration component. In addition to cash compensation, Management

Board members received long-term incentive components in the form of convertible bonds and SARs.

The members of the Supervisory Board receive remuneration consisting of a fixed element and a variable component based on the company's economic success. Each ordinary member of the Supervisory Board receives a fixed amount of €7,500 per full fiscal year. The chairman of the Supervisory Board receives twice this amount. In addition to this fixed amount, each Supervisory Board member (including the Chairman) receives a variable amount based on the Company's performance. The variable amount for each member of the Supervisory Board, including the Chairman, amounts to €250 for every cent of the IFRS-based consolidated earnings per share of AdLINK Internet Media AG, which exceeds a minimum amount of €0.12. The minimum amount increases annually by 10%. The variable remuneration element is limited to €5,000 per Supervisory Board member.

## **RESULT OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS**

### **Strong growth in sales of 29%**

In its fiscal year 2007, the AdLINK Group achieved strong organic growth in a dynamic but increasingly competitive advertising market and posted a significant increase in sales. Consolidated sales grew by 29.1% to €229.2 million (prior year: €177.5 million). Thanks to its positioning as a network of specialists, the AdLINK Group achieved strong growth and succeeded in expanding its business in all segments and product fields. In its Germany segment, sales grew by 17% to €115.1 million (prior year: €98.7 million), in the Euroland segment by 21.6% to €63.1 million (prior year: €51.9 million) and in the NON-Euroland segment by 51.3% to €40.7 million (prior year: €26.9 million). In terms of product fields, Domain Marketing was once again the main growth driver in 2007 with above-average growth of around 50%. This healthy organic growth was accompanied by a positive market development, which resulted mainly from two effects: firstly, the volume of the European advertising market as a whole continued to grow, and at the same time the proportion of online advertising also increased. There is a sustained trend toward online advertising due to the ongoing improvements in targeted marketing offered by

new technological innovations. We believe there will be a further shift in advertising budgets from classic offline campaigns to targeted online advertising, especially for consumer goods. This development is expected to continue in fiscal year 2008.

There was strong year-on-year growth in sales for all three product fields. AdLINK Media grew by 27.3% to €87.3 million (prior year: €68.6 million), Affiliate-Marketing by 18.0% to €79.4 million (prior year: €67.3 million) and Domain-Marketing by 49.6% to €62.6 million (prior year: €41.8 million). AdLINK Media thus accounted for 37.5%, Affiliate-Marketing for 34.6% and Domain-Marketing for 27.3% of total sales.

In terms of sales, earnings, advertising customers and brokered websites or domains, the AdLINK Group was able to expand its strong market position. The AdLINK Group is thus one of Europe's leading independent online marketers and offers an increasingly full range of online advertising possibilities, mainly in Europe but with Sedo also in the USA.

#### **Pre-tax earnings up to €28.5 million**

Amid continued fierce competition, gross margin fell slightly from 25.6% in the previous year to 25.0%. Due to economies of scale, sales expenses grew much more modestly than the increase in revenue. They amounted to €15.7 million (prior year: €12.9 million), corresponding to 6.8% of sales (prior year: 7.3%). General and administrative expenses grew by 32.3% to €15.1 million; their share of sales increased from 6.4% in 2006 to 6.6%. This rise resulted from investments and increased expenditure to adapt the company's structure to its still growing size.

Earnings before taxes (EBT) rose strongly: they increased from €18.7 million in the previous year to €28.5 million in the period under review. This corresponds to a pre-tax margin of 12.4%, compared with 10.5% in the previous year. The figure includes non-recurring items with a net positive effect of €7.4 million. These consist of non-recurring income of €16.8 million from our contribution of the operating business of AdLINK Switzerland and AdLINK Austria into Goldbach Media AG and from writedowns resulting from AdLINK's Media and Affiliate operations in France and the UK amounting to €9.4 million. After adjustment for these special items and for the at-equity results on a pro rata basis of the contributed businesses, EBT rose to €20.9

million in 2007 (comparable prior-year figure without at-equity results of AdLINK Switzerland and AdLINK Austria: €17.4 million). Due to improved earnings and adjustments regarding the corporate tax reform in Germany, income taxes rose to €9.7 million (prior year: €2.3 million). Undiluted earnings per share (EPS) grew strongly from €0.47 in 2006 to €0.72 in 2007. Apart from the net positive effect of the above mentioned structural measures, this increase was also influenced by the calculation of a 100% stake in Sedo GmbH resulting from the purchase of shares in the fourth quarter 2006 and subsequent agreement to pay a guaranteed dividend to Sedo's minority shareholders.

### **Total assets reach €184.2 million**

AdLINK Group's net asset position was strongly influenced in 2007 by the healthy development of earnings and the investment in Goldbach Media AG. Total assets grew from €151.3 million in the previous year to €184.2 million, mainly as a result of our shares in Goldbach Media AG and the increase in business volume. Due to our contribution of AdLINK Switzerland and AdLINK Austria, for which we received shares in Goldbach Media AG, other financial assets grew from €0 in the previous year to €28.8 million. The proportion of goodwill to total assets fell by €9.4 million to €73.6 million, as a result of impairment, and amounted to 40.0% (prior year: 54.9%) as of the balance sheet date. As of December 31, 2007, liabilities to affiliated companies amounted to €51.9 million (prior year: €48.3 million) and consisted mainly of financial liabilities owed to United Internet AG as part of the cash pool system. As a result of strong earnings, we were able to reduce net borrowing by €14.7 million. As of December 31, 2007, liabilities to banks totaled €0.2 million (prior year: €15.0 million). On the balance sheet date, cash and cash equivalents amounted to €9.5 million (prior year: €5.9 million).

In fiscal year 2007, the equity capital of AdLINK Group grew from €38.2 million to €66.4 million as of the balance sheet date. This was due to the company's strong earnings and the subsequent valuation of our stake in Goldbach Media AG. The Group's equity ratio rose to 36.0% (prior year: 25.2%).

## **SALES AND EARNINGS OF THE PARENT COMPANY**

In the period under review, sales revenues of the parent company AdLINK Internet Media AG amounted to €21.9 million (prior year: €17.0 million) and thus grew in line with sales of the Group as a whole. Sales consist of revenues from international campaigns which are centrally billed or centrally purchased by AdLINK Internet Media AG, as well as charges and costs allocated to operating subsidiaries and the Group's licensees. The main influencing factors for the development of sales and earnings of AdLINK Internet Media AG were therefore the marketing of international campaigns and the continuation of service agreements with the Group's subsidiaries. Costs for administrative services provided by AdLINK Internet Media AG in the field of finance, legal affairs, human resources, marketing, management, IT, DART system administration/campaign management and product development are allocated to the respective subsidiaries. In 2007, AdLINK Internet Media AG received revenues from allocated direct costs (e.g. DART costs, IT services, travel expenses) amounting to €13,148k (prior year: €10,510k) and from allocated overheads amounting to €5,075k (prior year: €3,783k). Revenue from central purchases for international campaigns amounted to €1,710k (prior year: €193k) and other revenue from affiliated companies to €250k (prior year: €61k). In addition, sales revenues from third parties totaled €1,761k (prior year: €2,718k).

Other operating income amounting to €5.7 million (prior year: €3.8 million) resulted mainly from reversals of impairment losses on investments made in previous years. Due to the positive business development of certain subsidiaries in 2007, these adjustments had to be reversed. Income from investments and profit transfer agreements of net €29.8 million (prior year: €4.0 million) resulted mainly from our shares in Goldbach Media AG (€18.6 million) and from profit transfer agreements and dividends from subsidiaries and joint ventures. Earnings before taxes (EBT) of AdLINK Internet Media AG amounted to €32.2 million and were thus up strongly on the previous year (€5.9 million).

The increase in total assets from €110.7 million in the previous year to €151.4 million resulted mainly from an increase in shares held in associated companies, as well as in receivables from affiliated companies (mainly from profit transfer agreements). Shares held in associated companies grew to €19.9 million (prior year:

€0.7 million) and receivables from affiliated companies to €23.9 million (prior year: €10.9 million). Net financial liabilities owed to affiliated companies amounted to €86.2 million as of December 31, 2007. These consisted mainly of financial liabilities owed to United Internet AG amounting to €51.0 million (prior year: €47.4 million) and owed to subsidiaries of AdLINK Internet Media AG amounting to €34.7 million (prior year: €16.5 million). Liabilities due to banks were reduced from €15.0 million in the previous year to €0.2 million, as a result of positive earnings. On the balance sheet date, cash and cash equivalents of AdLINK Internet Media AG amounted to €0.8 million. The accumulated loss was reduced by €29.5 million to €62.2 million (prior year: €91.7 million).

#### **Explanation of disclosures acc. to Secs. 289 (4), 315 (4) German Commercial Code (HGB)**

The Company's capital stock amounts to €26,154,640 divided into 26,154,640 no-par value shares. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. There are no other share categories. As far as the Company is informed, United Internet AG, Montabaur, held 22,945,466 shares or 87.73% of total shares in AdLINK Internet Media AG as of December 31, 2007.

The Management Board is entitled to issue new shares under the following circumstances:

- 1) The Management Board is authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before May 17, 2010 by a total of €12,900,000 by issuing new no-par shares for cash or non-cash contributions (Authorized Capital 2005).
  
- 2) Capital stock may be increased conditionally by up to €750,100.00, divided into up to 750,100 no-par value shares. The conditional increase in capital is earmarked for conversion options to be granted to the bearers of convertible bonds, the issue of which was authorized by the Annual Shareholders' Meeting of April 4, 2000. It will only be implemented to the extent that these conversion options are exercised. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option.

With regard to the members of the Management Board, the Supervisory Board is authorized and, with regard to the other persons entitled to convertible bonds, the Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

3) Capital stock may also be increased conditionally by up to € 1,095,260.00, divided into up to 1,095,260 no-par value shares. The conditional increase in capital is earmarked for conversion options to be granted to the bearers of convertible bonds. The Annual Shareholders' Meeting of May 17, 2004, authorized the Management Board or Supervisory Board to issue such convertible bonds. It will only be implemented to the extent that these conversion options are exercised and providing the Company does not service the conversion options from its stock of treasury shares. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to the members of the Management Board, the Supervisory Board is authorized and, with regard to the other persons entitled to convertible bonds, the Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

4) Capital stock may still be increased conditionally by up to € 10,000,000.00, divided into up to 10,000,000 no-par value shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 17, 2005 authorized the Company or a subordinated Group company to issue up to May 16, 2010, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the Company's stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the Company's stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company's Management Board is authorized to define further

details of the conditional capital increase and the execution thereof.

The Supervisory Board is authorized to reformulate Sec. 5 of the Company's articles according to the respective exercise of conversion rights and according to the respective use of conditional capital.

In accordance with a resolution passed by the Annual Shareholders' Meeting on May 29, 2007 the Management Board is also authorized to acquire treasury shares not exceeding 10% of its capital stock up to November 28, 2008.

The Supervisory Board appoints and dismisses the members of the Management Board and appoints one member of the Management Board as Chairman or Speaker. The Supervisory Board is authorized to make amendments to the Company's articles insofar as they only concern formulation.

### **Subsequent events**

Effective January 1, 2008, Sedo GmbH acquired a minority shareholding of 40% in the Italian company DomainsBot S.r.l.. Based in Rome, DomainsBot is a young and innovative company offering search technology for the domain market and for domain registries. The search engine offers live status reports and enables users to register or sell the desired domain with just a few clicks. DomainsBot's latest development is the "Name Suggestion Tool", an intelligent semantic tool which automatically proposes synonyms to the desired name, or adds prefixes and suffixes.

### **RISK REPORT**

AdLINK Internet Media AG attaches great importance to its holistic Enterprise Risk Management system, which exceeds the provisions of legal requirements. The aim of risk management is to systematically deal with potential risks as well as to promote a risk-oriented approach throughout the entire organization. This controlled approach to risks is aimed at utilizing existing opportunities to the full and enhancing the company's success. The concept, organization and task of Enterprise Risk

Management was defined by the Management Board of AdLINK Internet Media AG and documented as part of a risk manual available to all members of the Group. These requirements are continually compared with the changing legal conditions and adapted or developed further as required.

As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with clear allocation of responsibilities. We use Enterprise Risk Management not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a significant negative impact on the Group's net assets, financial situation and results of operations.

In fiscal year 2007 we once again conducted a company-wide risk audit. Risk scenarios were evaluated with regard to the possible negative impact on the respective company's EBT and the probability of such damage. Wherever sensible, risk-limiting measures were defined for identified significant potential risks. Early-warning indicators with pre-determined threshold values were allocated to risks as part of a proactive monitoring system.

The current risk status is communicated to the Management Board and Supervisory Board on a quarterly basis. Sudden risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation and the respective risk is communicated immediately to the Management Board, and where necessary by them to the Supervisory Board.

The main risks and uncertainties of AdLINK Internet Media AG are presented in the following.

### **Competition**

The online advertising market continues to grow. There is strong competition from national and international companies operating in the field of digital online marketing. New competitors might also enter the market and further raise the intensity of competition. Even major portals are still competing for advertising budgets. AdLINK Internet Media AG can only influence these factors to a very limited extent. Such

growing and intensified competition could lead to a deterioration of our net assets, financial situation and results of operations, as advertisers and website operators would be able to choose from a wide range of advertising brokers and advertising options. AdLINK Internet Media AG strengthens the ties to its customers and websites by means of active customer management and the provision of new and innovative advertising products and services, also on an international level, in order to expand its own domestic and international market position.

### **Product development**

On the markets for online advertising, technological innovations emerge at short intervals. For example, new technical possibilities are constantly being made available by marketers to suit the requirements of specified target groups and integrated into the product range. If we do not use this technological progress, or use it only insufficiently, other operators might achieve better product quality, services or processes than ours. This could weaken our competitive standing, as we would not be able to supply customers with the desired products, or at least not in the desired quality. This risk might also occur if a technical service provider we employ, and whose systems we use for important supplies of advertising formats, does not implement technological innovations or only with delay. As a consequence, we might lose important advertising customers and/or websites and thus revenue and earnings. AdLINK Internet Media AG takes action to counter this risk by closely monitoring the market and competitors, by evaluating technological possibilities and by driving our own developments.

### **Reach**

A key differentiation factor of AdLINK Internet Media AG is our portfolio of high-quality and highly frequented websites and domains which are used for marketing purposes. Should the AdLINK Group lose many of these important websites and domains, or not have enough high-reach advertising sites in its portfolio, we might become less attractive for advertisers. Moreover, website operators and domain owners who were previously marketed by service providers such as AdLINK Internet Media AG, may decide to start marketing themselves. There is also a risk that certain websites do not reach their guaranteed revenue targets. This loss of revenue, with consistently high costs, may result in a deterioration of our net assets, financial

situation and results of operations. We attempt to counter this risk by providing active partner support, continually improving service quality, expanding our international organization (of particular importance for major international websites) and maximizing the revenue potential of websites.

### **Dependency on customers/business partners**

Future budgets of advertisers cannot be predicted accurately nor can they be influenced by AdLINK Internet Media AG; advertising budgets are often awarded for each new campaign. In the case of affilinet and Sedo, a substantial proportion of revenue is often generated with a few major business partners. Should these partners reduce or end their relations with us, this may result in a serious deterioration of our net assets, financial situation and results of operations. AdLINK Internet Media AG reduces this risk by employing experienced key account managers, maintaining long-term and close relations with these business partners, expanding our customer base and providing a convincing range of products and services.

### **Pressure on prices/margins**

The current fierce competition situation increases the pressure on margins and prices. AdLINK Internet Media AG has positioned itself as a European online specialist with an innovative product portfolio and special services for its customers and websites. Due to the changing competitive situation in certain countries, AdLINK Internet Media AG might decide to take preemptive action or react by reducing prices/margins in these countries. Such falling prices and/or margins could result in a deterioration of our net assets, financial situation and results of operations. In order to counter this risk, the AdLINK Group offers innovative additional services and new high-margin products.

### **Liquidity**

As of December 31, 2007, the AdLINK Group had net liabilities (financing liabilities less cash and cash equivalents) of €41.7 million, consisting mainly of liabilities to United Internet AG. Due to good profitability we were able to reduce debts by a total of €14.7 million in 2007. There are risks with regard to credit lines, which were mostly arranged for short periods and can be terminated at short notice. Should

existing credit lines be terminated or not extended, or should we fail to receive new credit lines, the Company's liquidity would not be secured in the medium term. On the basis of our business development, the liquidity of AdLINK Internet Media AG can be regarded as secure at present and is sufficient to be able to meet all future payment obligations.

### **Protected rights**

The legislation and court decisions of most countries in which the AdLINK Group operates are continually developing with regard to the protection of trademarks and responsibility for content on the online market. Despite the resulting increase in clarity regarding the rights and obligations of all market players, there may still be uncertainties in these areas. The possibility cannot be excluded that certain market players attempt to use these uncertainties to their advantage. AdLINK counters this risk by swiftly implementing new legal requirements and seeking regular advice from experts in these areas of law.

### **Personnel**

An important factor contributing to the successful operation of AdLINK Internet Media AG are the skills and market knowledge of its employees. High staff turnover or the loss of key personnel could have an adverse impact on AdLINK Internet Media AG. So far, we have always succeeded in quickly compensating for the loss of key personnel. We continue to counter such risks by pursuing an active personnel development strategy.

### **Acquisitions**

Part of our long-term growth strategy involves the possibility of acquiring companies in order to promote growth. This might relate to specific areas or niches of online marketing in which we have no or little involvement at present. If the acquired companies or company divisions do not fulfill our expectations or their integration proves more difficult or costly than planned, this might burden our net assets, financial situation and results of operations.

### **Qualitative and quantitative information pertaining to the overall level of risk**

Due to the increase in profitability, the overall risk situation has improved. As a result

of ongoing fierce competition on the online advertising market, the major risks for the Company's future net assets, financial situation and results of operations focus on the areas of competition, reach, personnel and product development. Our risk management culture enables us to proactively counter such risks and limit them to a minimum. We judge the probability of such adverse developments as low in the short term and moderate in the medium term. There were no risks which directly jeopardized the continued existence of AdLINK Internet Media AG in the fiscal year 2007, neither from individual risks nor from the overall risk situation.

### **Annual inspection of the risk management system**

In the course of their audit of the Company's annual financial statements, the auditors assess both the functionality and compliance of the risk management system installed by AdLINK Internet Media AG. The auditors confirmed that our risk management system complied with legal requirements in 2007.

### **Dependent Company Report**

In compliance with Sec. 312 (1) AktG, the Management Board of AdLINK Internet Media AG presented the Supervisory Board with a Dependent Company Report dealing with the company's possible dependence on its majority shareholder United Internet AG. It closes with the declaration that the company received adequate compensation (quid pro quo) for each legal transaction in accordance with the circumstances known at the time when such transactions were carried out, or the measure involved was executed or omitted, and that the company was not disadvantaged by such measures being executed or omitted.

### **Outlook and forecast**

We believe that the online advertising market will continue to grow. JupiterResearch forecast growth in Western Europe of 18% to €9.1 billion in 2008. The huge potential still available is illustrated by comparing online advertising's share of total advertising spend with online usage as a proportion of total media consumption: in 2007 the proportion of the advertising market was 12.5%, and thus still well behind daily online media usage of around 15%. In 2008, the OVK expects online advertising revenues to exceed €3.7 billion, corresponding to growth of around 29%.

The above mentioned market and sector surveys do not consider the current danger of a recession in the USA, the impact of a weak dollar and high oil prices, the turbulence on the international money and capital markets and its possible negative impact on the global economy. Should these factors deteriorate further in the course of the year, we cannot exclude the possibility that this may have an adverse effect on the development of our business.

The rapid spread of broadband internet connections and increasing use of flat rates means that the internet will be used more intensively in future, making it even more attractive for our customers – the advertisers. Broadband technology will also facilitate new advertising formats, for example, the increased use of video clips. Online advertising has established itself in the advertising mix of companies and will steadily increase its proportion of total advertising spend.

With our strong brands – AdLINK Media, affilinet, composite, net:dialogs and Sedo – we believe we are well positioned on the market.

Montabaur, March 10, 2008

The Management Board

Stéphane Cordier

Andreas Janssen

Marc Stilke

**AdLINKGROUP**

**AdLINK Internet Media AG,  
Montabaur**

**Consolidated Annual Financial Statements**  
according to IFRS

as of December 31, 2007

**AdLINK Internet Media AG, Montabaur**Consolidated Balance Sheet as of December 31<sup>st</sup>, 2007 in EUR

	<i>Anhang</i>	<u>31/12/2007</u> in €	<u>31/12/2006</u> in €
<b>ASSETS</b>			
Cash and cash equivalents	(16)	9,535,938	5,924,572
Accounts receivable	(17)	52,150,404	36,212,178
Accounts receivable from affiliated companies	(18)	569,709	1,643,300
Accounts receivable from at-equity companies	(3) (42)	0	92,464
Inventories	(19)	3,623,468	2,000,271
Prepaid expenses	(20)	648,352	586,595
Other current assets	(21)	3,221,192	1,978,214
<b>Current assets</b>		<b>69,749,063</b>	<b>48,437,594</b>
Equity investments	(22)	0	3,012,187
Other financial assets	(23)	28,793,987	0
Property, plant and equipment	(24)	1,681,816	1,558,650
Intangible assets (w/o Goodwill)	(25) (27)	7,030,977	7,197,111
Goodwill	(26) (27)	73,638,363	83,011,363
Deferred tax assets		3,296,111	8,045,117
<b>Non-current assets</b>		<b>114,441,254</b>	<b>102,824,428</b>
<b>Total assets</b>		<b>184,190,317</b>	<b>151,262,022</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable, trade	(28)	48,782,757	35,086,596
Accounts payable due to affiliated companies	(29)	51,938,971	48,277,315
Accounts payable due to at-equity companies	(3) (42)	0	73,941
Liabilities to banks (short-term)	(30)	175,550	15,003,314
Accrued taxes	(31)	5,411,176	4,574,367
Provisions	(32)	1,033,500	0
Other liabilities	(33)	7,888,336	6,608,666
Convertible bonds	(34)	15,626	101,300
<b>Current liabilities</b>		<b>115,245,916</b>	<b>109,725,499</b>
Convertible bonds	(34)	30,537	98,900
Deferred tax liabilities	(14)	1,631,047	2,205,236
Long-term liabilities due to minority shareholders	(12)	886,488	1,082,369
<b>Non-current liabilities</b>		<b>2,548,072</b>	<b>3,386,505</b>
<b>Total liabilities</b>		<b>117,793,988</b>	<b>113,112,004</b>
<b>Equity</b>			
Capital Stock	(35)	26,154,640	25,914,900
Additional paid-in capital	(36)	63,487,620	62,750,216
Accumulated deficit		-35,988,110	-54,813,402
Revaluation Reserve	(3)	8,720,051	0
Currency translation adjustments		-283,424	-7,248
<b>Total equity w/o Minority interest</b>		<b>62,090,777</b>	<b>33,844,466</b>
Minority interest	(12)	4,305,552	4,305,552
<b>Total equity</b>		<b>66,396,329</b>	<b>38,150,018</b>
<b>Liabilities and equity, total</b>		<b>184,190,317</b>	<b>151,262,022</b>

**AdLINK Internet Media AG, Montabaur**

Consolidated Statements of Operations for 1<sup>st</sup> January to 31<sup>st</sup> December 2007 in EUR

	<i>Notes</i>	<b>2007 in €</b>	<b>2006 in €</b>
<b>Sales</b>	(42)	229,191,505	177,471,668
<b>Cost of sales</b>	(4) (9)	-171,926,371	-131,983,760
<b>Gross Profit</b>		<b><u>57,265,134</u></b>	<b><u>45,487,908</u></b>
<b>Selling expenses</b>	(5) (9)	-15,694,311	-12,895,142
<b>General and administrative expenses</b>	(6) (9)	-15,128,373	-11,438,665
<b>Other operating expenses</b>	(7)	-4,544,950	-1,911,498
<b>Other operating income</b>	(8)	20,125,725	2,177,321
<b>Depreciation of capitalized assets in the scope of acquisitions (IFRS 3)</b>	(9)	-1,709,676	-1,775,844
<b>Asset Impairment charges</b>	(10)	-9,373,000	0
<b>Operating Result</b>		<b><u>30,940,549</u></b>	<b><u>19,644,080</u></b>
<b>Interest and similar expenses</b>	(11)	-2,773,081	-1,474,341
<b>Interest and similar income</b>	(11)	213,436	341,246
<b>Expenses resulting of guaranteed dividend payment to minority shareholders</b>	(12)	-54,119	-1,082,369
<b>Result from associated companies</b>	(13)	173,196	1,255,558
<b>Pre-tax result</b>		<b><u>28,499,981</u></b>	<b><u>18,684,174</u></b>
<b>Income taxes</b>	(14)	-9,674,689	-2,342,387
<b>Net income</b>		<b><u>18,825,292</u></b>	<b><u>16,341,787</u></b>
<b>Minority interest</b>	(12)	<b>0</b>	<b>4,301,924</b>
		<b>18,825,292</b>	<b>12,039,863</b>
<b>EARNINGS PER SHARE</b>			
<b>Earnings per share</b>	(15)		
<b>basic (EUR/share)</b>		0.72	0.47
<b>diluted (EUR/share)</b>		0.71	0.45
<b>Weighted average number of shares outstanding</b>		26,051,489	25,884,411
<b>Weighted average number of shares outstanding diluted</b>		26,417,445	26,480,969

**AdLINK Internet Media AG, Montabaur**

Consolidated Statements of Cash Flows for the Financial Year 2007 and 2006

	Notes	2007 in €	2006* in €
<b>Cash flow from operating activities</b>			
Net Income		18,825,292	16,341,787
<b>Adjustment to reconcile net income to net cash provided by operating activities</b>			
Depreciation		2,987,514	2,651,680
Asset Impairment charges	(10)	9,373,000	0
disposals of assets		-173,257	-17,637
Change in deferred taxes	(14)	4,042,024	-5,573,429
Compensation expenses from employee stock option plans	(34)	310,730	302,567
Result from associated companies	(13) (43)	-173,196	-1,255,558
Distributed profit of associated companies	(3)	666,176	448,575
Compounding liability guarantee dividend minority shareholders	(12)	54,119	1,082,369
Non-Cash Result from sale of investment before tax	(3)	-16,808,211	0
<b>Operative cash flow</b>		<b>19,104,191</b>	<b>13,980,354</b>
<b>Changes in assets and liabilities</b>			
Change in receivables and other assets		-17,465,166	-8,093,168
Change in receivables from affiliated companies		1,073,591	-192,908
Change in Inventories		-1,262,092	-2,000,271
Change in prepaid expenses		-70,644	-159,655
Change in accounts payable, trade		13,986,430	8,690,108
Change in accounts payable due to affiliated companies		-35,180	518,743
Change in accrued taxes		849,809	60,362
Change in provisions		1,033,500	-316,792
Change in other liabilities		1,029,725	417,856
<b>Changes in assets and liabilities, total</b>		<b>-860,027</b>	<b>-1,075,725</b>
<b>Cash flow from operating activities</b>		<b>18,244,164</b>	<b>12,904,629</b>
<b>Cash flow from investment activities</b>			
Capital expenditure for property, plant and equipment	(24)	-999,103	-1,175,492
Capital expenditure for intangible assets	(25)	-2,151,909	-599,900
Investments in other Financial assets	(3)	-50,725	0
Investments	(3)	-563,000	-4,980
Cash inflow through disposal of assets		29,613	55,589
Acquisition costs, net of acquired cash	(3)	0	-45,814,949
<b>Cash flow from investment activities</b>		<b>-3,735,124</b>	<b>-47,539,732</b>
<b>Cash flow from financing activities</b>			
Change of utilized credit line from affiliated companies	(29)	3,696,836	14,759,322
Borrowing/Repayment of short-term bank loans	(30)	-14,827,764	15,003,314
Payments for the exercise/conversion of convertible bonds	(35) (36)	565,940	61,052
Payment / repayment of convertible bonds		-53,563	-11,700
<b>Cash flow from financing activities</b>		<b>-10,618,551</b>	<b>29,811,988</b>
Net increase / net decrease in cash		3,890,489	-4,823,115
Cash and cash equivalents at the beginning of the fiscal year		5,924,572	10,844,941
Effect of exchange rate differences on cash		-279,123	-97,254
<b>Cash and cash equivalents at the end of the reporting period</b>	(15)	<b>9,535,938</b>	<b>5,924,572</b>
*Due to adjustments some accounts are changed marginally in prior year figures.			
Deposit of interest		208,505	175,130
Cash paid for interest		-3,174,474	-1,042,699
Deposit of taxes		0	16,130
Cash paid for taxes		-4,450,287	-7,049,400

**AdLINK Internet Media AG, Montabaur**

Consolidated Statements of Changes in Shareholders' Equity for Financial Year 2007 and 2006

	Common stock	Additional paid-in capital	Accumulated deficit	Revaluation Reserves	Currency translation adjustment	Total shareholders' equity	Minority interest	Total company's equity	Total Net Income of AdLINK AG shareholders	Total Net Income of Minority Interest
	Shares and EUR	EUR	EUR	EUR	loss EUR	EUR	EUR	EUR	EUR	EUR
Balance as of January 1 <sup>st</sup> , 2006	25,851,945	62,047,026	-66,853,265	0	228,409	21,274,115	4,116,694	25,390,809	989,018	1,599,354
Amortization of deferred stock option compensation	0	302,567	0	0	0	302,567	0	302,567		
Exercise of Convertible Bonds	62,955	32,248	0	0	0	95,203	0	95,203		
Aquisition of Minority Interest	0	0	0	0	0	0	-4,113,066	-4,113,066		
Currency translation adjustment	0	0	0	0	-235,657	-235,657	0	-235,657	-235,657	
Net Income	0	0	12,039,863	0	0	12,039,863	4,301,924	16,341,787	12,039,863	4,301,924
Balance as of December 31 <sup>st</sup> , 2006	25,914,900	62,750,216	-54,813,402	0	-7,248	33,844,466	4,305,552	38,150,018	11,804,206	4,301,924
Amortization of deferred stock option compensation	0	310,730	0	0	0	310,730	0	310,730		
Exercise of Convertible Bonds	239,740	426,674	0	0	0	666,414	0	666,414		
Revaluation Reserve	0	0	0	8,720,051	0	8,720,051	0	8,720,051	8,720,051	
Currency translation adjustment	0	0	0	0	-276,176	-276,176	0	-276,176	-276,176	
Net Income	0	0	18,825,292	0	0	18,825,292	0	18,825,292	18,825,292	0
Balance as of December 31 <sup>st</sup> , 2007	26,154,640	63,487,620	-35,988,110	8,720,051	-283,424	62,090,777	4,305,552	66,396,329	27,269,167	0

**AdLINK Internet Media AG - Eigenkapitalveränderung in der Konzernbilanz nach IFRS vom 1. Januar bis 31. Dezember 2007 in EUF**

	Grundkapital	Kapitalrücklage	Kumuliertes Konzernergebnis	Neubewertungsrücklage (nach Steuern)	Währungsumrechnungsdifferenzen	Veränderung/Eigenkapital Anteilseigner	Minderheitenanteile	Veränderung/Gesamtes Eigenkapital	Gesamtes Periodenergebnis der Anteilseigner der AdLINK AG	Gesamtes Periodenergebnis der Minderheitenanteile
	(35) in Aktien und in €	(36) €	€	(3) €	€	€	(12) €	€	€	€
<b>Anhang</b>										
<b>Anpassung IFRS 2*</b>										
Zuführung aus Mitarbeiterbeteiligungsprogramm	0	0	0	0	0	375,787	0	375,787		
Periodenergebnis	0	0	0	0	0	-2,941,634	0	-2,941,634		
Balance as of December 31, 2004, adjusted*	25,805,580	59,572,646	-67,881,574	0	267,700	17,764,352	0	17,764,352		
Stand zum 1. Januar 2006	25,851,945	62,047,026	-66,853,265	0	228,409	21,274,115	4,116,694	25,390,809	989,018	1,599,354
Zuführung aus Mitarbeiterbeteiligungsprogramm	0	302,567	0	0	0	302,567	0	302,567		
Ausübung von Wandelschuldverschreibungen	62,955	32,248	0	0	0	95,203	0	95,203		
Nachträgliche Reduzierung IPO Kosten aufgrund Rückver	0	368,375	0	0	0	368,375	0	368,375		
Erwerb von Minderheitenanteile	0	0	0	0	0	0	-4,113,066	-4,113,066		
Währungsumrechnungsdifferenzen	0	0	0	0	-235,657	-235,657	0	-235,657	-235,657	
Periodenergebnis	0	0	12,039,863	0	0	12,039,863	4,301,924	16,341,787	12,039,863	4,301,924
davon direkt im Eigenkapital erfasste Positionen (nach Steuern)									-235,657	0
Stand zum 31. Dezember 2006	25,914,900	62,750,216	-54,813,402	0	-7,248	33,844,466	4,305,552	38,150,018	11,804,206	4,301,924
Zuführung aus Mitarbeiterbeteiligungsprogramm	0	310,730	0	0	0	310,730	0	310,730		
Ausübung von Wandelschuldverschreibungen	239,740	426,674	0	0	0	666,414	0	666,414		
Neubewertungsrücklage	0	0	0	8,720,051	0	8,720,051	0	8,720,051	8,720,051	
Erwerb von Minderheitenanteile	0	0	0	0	0	0	0	0		
Währungsumrechnungsdifferenzen	0	0	0	0	-276,176	-276,176	0	-276,176	-276,176	
Periodenergebnis	0	0	18,825,292	0	0	18,825,292	0	18,825,292	18,825,292	0
davon direkt im Eigenkapital erfasste Positionen (nach Steuern)									8,443,875	0
Stand zum 31. Dezember 2007	26,154,640	63,487,620	-35,988,110	8,720,051	-283,424	62,090,777	4,305,552	66,396,329	27,269,167	0

AdLINK Internet Media AG, Montabaur

Development of consolidated fixed asset  
in fiscal year 2007

	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					NET BOOK VALUE		
	01/01/2007	Additions	Disposals	Reclassi- fications	31/12/2007	01/01/2007	Additions	Disposals	Reclassi- fications	Currency translation	31/12/2007	01/01/2007	31/12/2007
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR
<b>INTANGIBLE ASSETS</b>													
Licenses, brands	2,061,322	847,782	109,400	-370,940	2,428,764	1,209,801	157,423	295,762	-4,920	-6,790	1,059,752	851,521	1,369,012
Software	2,538,212	1,304,127	227,823	219,016	3,833,532	1,289,440	597,927	208,815	4,920	-706	1,682,766	1,248,772	2,150,766
Internet platform	1,878,900	0	0	0	1,878,900	657,900	375,700	0	0	0	1,033,600	1,221,000	845,300
Databases	5,003,600	0	0	0	5,003,600	1,336,963	1,000,738	0	0	0	2,337,701	3,666,637	2,665,899
Deposits paid	209,181	0	0	-209,181	0	0	0	0	0	0	209,181	209,181	0
Subtotal licenses/software/deposits paid	11,691,215	2,151,909	337,223	-361,105	13,144,796	4,494,104	2,131,788	504,577		-7,496	6,113,819	7,197,111	7,030,977
Goodwill	84,690,363	0	0	0	84,690,363	1,679,000	9,373,000	0	0	0	11,052,000	83,011,363	73,638,363
	96,381,578	2,151,909	337,223	-361,105	97,835,159	6,173,104	11,504,788	504,577	0	-7,496	17,165,819	90,208,474	80,669,340
<b>PROPERTY, PLANT AND EQUIPMENT</b>													
Land and buildings													
Operational equipment	2,979,997	999,103	348,587	21,151	3,651,664	1,421,347	855,726	300,945	0	-6,280	1,969,848	1,558,650	1,681,816
	2,979,997	999,103	348,587	21,151	3,651,664	1,421,347	855,726	300,945	0	-6,280	1,969,848	1,558,650	1,681,816
<b>FINANCIAL ASSETS</b>													
Shares in companies	3,853,263	736,197	4,589,460	0	0	841,076	0	841,076	0	0	0	3,012,187	0
Financial assets	0	28,793,987	0	0	28,793,987	0	0	0	0	0	0	0	28,793,987
	3,853,263	29,530,184	4,589,460	0	28,793,987	841,076	0	841,076	0	0	0	3,012,187	28,793,987
	103,214,838	32,681,196	5,275,270	-339,954	130,280,810	8,435,527	12,360,514	1,646,598	0	-13,776	19,135,667	94,779,311	111,145,143

AdLINK Internet Media AG, Montabaur

Development of consolidated fixed asset  
in fiscal year 2006

	ACQUISITION AND PRODUCTION COSTS					ACCUMULATED DEPRECIATION					NET BOOK VALUE		
	01/01/2006	Additions	Disposals	Reclassi- fications	31/12/2006	01/01/2006	Additions	Disposals	Reclassi- fications	Currency translation	31/12/2006	01/01/2006	31/12/2006
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR
<b>INTANGIBLE ASSETS</b>													
Licenses, brands	2,245,809	110,588	226,478	-68,597	2,061,322	1,308,647	139,005	225,265	-12,345	-241	1,209,801	937,162	851,521
Software	2,185,729	280,131	25,004	97,356	2,538,212	809,294	493,184	25,557	12,345	174	1,289,440	1,376,435	1,248,772
Internet platform	1,878,900	0	0	0	1,878,900	282,200	375,700	0	0	0	657,900	1,596,700	1,221,000
Databases	5,003,600	0	0	0	5,003,600	336,225	1,000,738	0	0	0	1,336,963	4,667,375	3,666,637
Deposits paid	28,759	209,181	0	-28,759	209,181	0	0	0	0	0	28,759	209,181	0
Subtotal licenses/software/deposits paid	11,342,797	599,900	251,482	0	11,691,215	2,736,366	2,008,627	250,822		-67	4,494,104	8,606,431	7,197,111
Goodwill	50,387,600	34,302,763	0	0	84,690,363	1,679,000	0	0	0	0	1,679,000	48,708,600	83,011,363
	61,730,397	34,902,663	251,482	0	96,381,578	4,415,366	2,008,627	250,822	0	-67	6,173,104	57,315,031	90,208,474
<b>PROPERTY, PLANT AND EQUIPMENT</b>													
Land and buildings													
Operational equipment	2,194,848	1,175,492	390,343	0	2,979,997	1,083,358	643,053	305,727	0	663	1,421,347	1,111,490	1,558,650
	2,194,848	1,175,492	390,343	0	2,979,997	1,083,358	643,053	305,727	0	663	1,421,347	1,111,490	1,558,650
<b>FINANCIAL ASSETS</b>													
Shares in companies	3,048,016	1,253,822	448,575	0	3,853,263	841,076	0	0	0	0	841,076	2,206,940	3,012,187
Financial assets	29,855	0	29,855	0	0	0	0	0	0	0	0	29,855	0
	3,077,871	1,253,822	478,430	0	3,853,263	841,076	0	0	0	0	841,076	2,236,795	3,012,187
	67,003,116	37,331,977	1,120,255	0	103,214,838	6,339,800	2,651,680	556,549	0	596	8,435,527	60,663,316	94,779,311

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007**

### ***1. Information on the company***

#### Nature of the business

The purpose of the business of AdLINK Internet Media AG (subsequently referred to as “the Company”, “the AdLINK Group” or “the Group”) is to acquire, hold and manage investments in other German and foreign companies, to provide marketing, sales and other services connected with information and telecommunication technology, to advise companies on marketing, sales and advertising issues as well as to market information and telecommunication technologies and products associated with these areas of activity.

In accordance with its articles, the Company is authorized to conduct all business activities and to take all action that may be conducive to attaining its purpose. It may acquire or invest in all manner of companies, both German and foreign and establish branch operations in Germany or other countries.

The Company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may transfer or outsource all or part of its operations to affiliated companies.

The Company’s registered offices are located at Elgendorfer Strasse 57, 56410 Montabaur, Germany, with branch offices or subsidiaries in Düsseldorf, Ebersberg, Hamburg, Hanover, Cologne, Montabaur, Cambridge (Massachusetts/USA), Brussels (Belgium), Dublin (Ireland), Haarlem (Netherlands), Levallois-Perret (France), London (UK), Madrid (Spain), Milan (Italy), and Stockholm (Sweden). All Company offices are leased.

## Employees

On December 31, 2007 the AdLINK Group had 472 employees (previous year: 400). The average number of employees was 408 (previous year: 336).

These employees are allocated among the various divisions as follows:

	2007	2006
Order Processing	67	53
Product Management	48	40
Marketing	25	18
Sales	161	143
Administration	46	41
IT	61	41
<b>Average number of employees</b>	<b>408</b>	<b>336</b>

The reporting company

The Group's parent company, AdLINK Internet Media AG, was founded on September 6, 1996 as 1&1 Multimedia Service GmbH. In accordance with a resolution of the Annual Shareholders' Meeting of January 24, 1997, the Company was renamed 1&1 Online Dialog GmbH. With a resolution of September 29, 1999 the Company was renamed AdLINK Internet Media GmbH Europe. With a resolution of the Annual Shareholders' Meeting of February 14, 2000, the legal form was changed to that of a public limited company ("Aktiengesellschaft") with the name AdLINK Internet Media AG. AdLINK Internet Media AG is registered at the district court of Montabaur under HRB 5432.

### **The parent company**

The annual financial statements of AdLINK Internet Media AG are included in the annual financial statements of the Group's controlling parent company United Inter-

net AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany. United Internet AG is thus the direct parent company of AdLINK Internet Media AG, although some of the shares are held indirectly via United Internet Beteiligung GmbH, Elgendorfer Strasse 57, 56410 Montabaur, Germany.

## **2. Accounting and valuation principles**

### 2.1 Basis of preparation

In accordance with Article 4 of the so-called IAS Ordinance (Ordinance (EU) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, ABl. EU No. L 243 p. 1), the AdLINK Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards). The Company also observed and applied the supplementary regulations of Section 315a (1) German Commercial Code (HGB). All IFRS standards valid on the balance sheet date and as applied within the European Union were observed.

The reporting currency is euro (EUR). Amounts stated in the notes to the financial statements are in thousand euro (EURk) or million euro (EURm). The consolidated financial statements are always drawn up on the basis of historical costs. The exception to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value. The carrying values in the balance sheet of those assets and liabilities which represent underlying transactions as part of hedging transactions to secure fair values, are adjusted for changes in the fair value resulting from risks hedged against.

The balance sheet date is December 31, 2007.

The Supervisory Board approved the consolidated financial statements for 2006 at its meeting on March 28, 2007. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on July 25, 2007.

The consolidated financial statements for 2007 were prepared by the Company's Management Board on March 10, 2008 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on April 1, 2008.

## 2.2 Consolidation principles

The consolidated group comprises AdLINK Internet Media AG and all domestic and foreign subsidiaries (majority shareholdings) controlled by it. A company is deemed to be controlled, if the Company can determine its financial and business policies in order to gain an economic benefit. The annual financial statements of subsidiaries are prepared as to the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

All intercompany balances, transactions, income, expenses, profits and losses from intercompany transactions contained in the carrying value of assets are fully eliminated.

Subsidiaries are fully consolidated from the point of acquisition, i.e. from the date on which the Company gained control. Consolidation ends as soon as the parent company no longer has control over the subsidiary.

Minority interests represent the proportion of the result and net assets which is not attributable to the Group. Minority interests are disclosed separately in the consolidated income statement and consolidated balance sheet. Minority interests are disclosed in the consolidated balance sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of the parent company. The acquisition of minority shareholdings is accounted for using the so-called "parent entity extension method". The difference between purchase price and book value of the proportion of net assets acquired is carried as goodwill.

The Group includes the following significant subsidiaries in which AdLINK Internet Media AG holds a direct or indirect majority interest (as indicated by the figures in brackets):

- AdLINK Internet Media AB, Stockholm / Sweden (100.0%)
- AdLINK Internet Media S.A., Levallois-Perret / France (100.0%)
- AdLINK Internet Media N.V., Brussels / Belgium (100.0%)
- AdLINK Internet Media S.L.U., Madrid / Spain (100.0%)
- AdLINK Internet Media Ltd., London / UK (100.0%)
- AdLINK Internet Media B.V., Haarlem / Netherlands (100.0%)
- AdLINK Internet Media Srl., Milan / Italy (100.0%)
- AdLINK Internet Media GmbH Deutschland, Düsseldorf (100.0%)
  - net:dialogs GmbH, Montabaur (100.0%)
  - Sedo GmbH, Cologne (75.94%)
    - Sedo.com LLC, Cambridge (Boston) / USA (100.0%)
    - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.0%)
- affilinet GmbH, Ebersberg (100.0%)
  - affilinet Ltd., London / UK (100.0%)
  - CibleClick Performances S.A., Levallois-Perret / France (100.0%)
    - affilinet SAS, Levallois-Perret / France (100.0%)

All companies in which the Company has invested and over whose financial and business policies it has no significant influence (< 20% of voting shares) are included as financial instruments pursuant to IAS 39 and held at fair value:

- Goldbach Media AG, Küsnacht / Switzerland (14.99%)

## 2.3 Changes in accounting and valuation methods

### Compulsory application of new accounting standards

The accounting and valuation policies applied mainly correspond to the methods applied in the previous year, with the following exceptions:

In the period under review, the Group applied the following new and revised IFRS standards and interpretations. There were no significant effects on the presentation of the Group's net assets, financial situation and results of operations from the application of new or revised standards and interpretations. However, they resulted in additional disclosures and in some cases to changes in the accounting and valuation methods.

- **IFRS 7** Financial Instruments: Disclosures
- **IAS 1 Amendment** Presentation of Financial Statements
- **IFRIC 8** Scope of IFRS 2
- **IFRIC 9** Reassessment of Embedded Derivatives
- **IFRIC 10** Interim Financial Reporting and Impairment

The Group also chose early adoption of the following interpretation. There were no significant effects on the presentation of the Group's net assets, financial situation and results of operations from the adoption of these interpretations. However, they resulted in additional disclosures and to changes in the accounting and valuation methods.

- **IFRIC 11** IFRS 2 – Group and Treasury Share Transactions

The main effects of these changes were as follows:

### **IFRS 7 – Financial Instruments: Disclosures**

This standard requires disclosures which enable users to judge the significance of financial instruments for the Group's financial situation and profitability, as well as the type and extent of the risk resulting from such financial instruments. The corresponding new disclosures are spread throughout the entire financial statements. Their application has no impact on the Group's net assets, financial position and earnings. The respective comparative information was adjusted.

### **IAS 1 Amendment – Presentation of Financial Statements**

The new disclosures arising from this amendment enable users to judge the Group's aims, methods and processes with regard to capital management.

### **IFRIC 8 – Scope of IFRS 2**

This interpretation requires the application of IFRS 2 for all transactions in which a company cannot specifically identify some or all of the goods or services received. This applies in particular if the consideration given for equity instruments granted by the company appears to be less than their fair value. As the Group only grants equity instruments to employees as part of its stock compensation plan, the application of this interpretation has no effect on the Group's net assets, financial situation and earnings.

### **IFRIC 9 – Reassessment of Embedded Derivatives**

According to IFRIC 9, when signing a contract involving a structured instrument, companies must always judge whether there is an embedded derivative. A reassessment is only permissible in the case of a significant change in the contractual terms if this results in a significant change in cash flows. As the Group has no embedded derivatives which must be separated from a host contract, this interpretation has no effect on the Group's net assets, financial situation and earnings.

### **IFRIC 10 – Interim Financial Reporting and Impairment**

The Group applied IFRIC Interpretation 10 for the first time on January 1, 2007. The interpretation regulates that an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost shall not be reversed. The impairment of goodwill (see Note 10) recognized in the interim financial report 2007 is within the scope of IFRIC 10. The application of this interpretation has an effect on the Group's net assets, financial situation and earnings to the amount of EUR 5.8m.

## **IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions**

The Group decided to apply IFRIC Interpretation 11 for the first time on January 1, 2007 insofar as it applies to consolidated financial statements. According to this interpretation, all agreements under which employees are granted rights to a company's equity instruments are to be accounted for as equity-settled share-based payment transactions, even if the company acquires the instrument from a third party or if the shareholders provide the required equity instruments. The application of this interpretation has no effect on the Group's net assets, financial situation and earnings.

Voluntary application of new accounting standards

The IASB and IFRIC released the following standard which has already been adopted as EU law under the comitology procedure but was not yet subject to mandatory application in fiscal 2007. This standard was not voluntarily applied by the Group.

- **IFRS 8** Operating Segments

The IASB and IFRIC released the following standards and interpretations which have not yet been recognized by the EU. The standards and interpretations are not yet subject to mandatory application in fiscal 2007 and are not applied by the Group.

- **IFRS 2 Amendment** Share-based Payment
- **IFRS 3** Business Combinations
- **IAS 1** Presentation of Financial Statements
- **IAS 23** Borrowing Costs
- **IAS 27** Consolidated and Separate Financial Statements acc. to IFRS
- **IAS 32 Amendment** Financial Instruments: Presentation
- **IAS 1 Amendment** Presentation of Financial Statements
- **IFRIC 12** Service Concession Arrangements
- **IFRIC 13** Customer Loyalty Programs

- **IFRIC 14** IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The main effects of these changes were as follows:

### **IFRS 8 – Operating Segments**

IFRS 8 was released in November 2006 and is to be applied for the first time in fiscal years beginning on or after January 1, 2009. IFRS 8 requires the disclosure of information about a company's operating segments and replaces the obligation to specify primary (business segments) and secondary (geographical segments) segment report formats for a company. IFRS 8 follows the so-called management approach according to which segment reporting only conforms to the financial information the company's executives use for the internal management of the company. Decisive are the internal reporting and organizational structures as well as such financial values considered when deciding on the allocation of resources and the evaluation of profitability.

The Company decided not to apply IFRS 8 ahead of time and continues to apply IAS 14: Segment Reporting. The new standard will influence the mode of the presentation of financial information on the Group's business segments but will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

The IASB and IFRIC released the following standards and interpretations which are not yet subject to mandatory application in fiscal 2007. These standards and interpretations have not yet been recognized by the EU and are not applied by the Company.

### **IFRS 2 Amendment – Share-based Payment**

The amendment to IFRS 2 was released in January 2008 and is applicable for fiscal years beginning on or after January 1, 2009. The revision introduces the clarification that the term "vesting conditions" refers exclusively to the conditions of services and

performances. Furthermore, the regulations for the financial reporting of an early exercise of share-based payment plans are extended to include early exercise by employees. The transitional provisions provide for retrospective application of the revision.

As the view held by the IASB corresponds to the accounting method hitherto applied by the Group, the application of this amendment will have no effect on the Group's net assets, financial situation and earnings.

### **IFRS 3 – Business Combinations**

The amended standard IFRS 3 was released in January 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. Within the context of a convergence project of IASB and FASB, this standard was subjected to a thorough revision. The essential changes particularly concern the introduction of a right to choose for the valuation of minority interest between accounting of the proportionate identifiable net asset (so-called purchased goodwill method) and the so-called full goodwill method, according to which full goodwill is recognized, including the portion attributable to minority equity holders. Furthermore, the revaluation of existing investments upon first-time obtainment of control in the income statement (successive business acquisition), the mandatory accounting of a consideration tied to the occurrence of future events at the time of acquisition, and the treatment of transaction costs as income-effective are particularly worth mentioning. The transitional provisions provide for the revision's prospective application. No changes arise for asset and liabilities resulting from business combinations prior to the first-time application of the new standard.

As the Company will probably continue to apply the *purchased goodwill method* for future business combinations, there will be no effects from the new regulation. Revaluation in the course of successive company acquisitions and the mandatory recognition of conditional compensation at the time of purchase may lead to higher goodwill values.

### **IAS 1 – Presentation of Financial Statements**

The revised standard IAS 1 was released in September 2007 and is applicable for the fiscal years beginning on or after January 1, 2009. The revised version of the standard includes material changes to the presentation and disclosure of financial information in the financial statements. The revisions include in particular the introduction of an overall account that includes the income realized within a financial period as well as not yet realized gains and losses previously disclosed within the equity statement, replacing the income statement in its previous shape. Furthermore, the standard requires that in addition to the balance sheet as of balance sheet date and the balance sheet as of the preceding balance sheet date, a balance sheet shall be presented as of the beginning of the period of comparison if the company retroactively applies accounting policies and valuation methods, corrects a mistake, or reclassifies an item.

The new standard will have an effect on the mode of publication of the Group's financial information, yet it will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

### **IAS 23 – Borrowing Costs**

Revised standard IAS 23 was released in March 2007 and is applicable for the fiscal years beginning on or after January 1, 2009. The standard requires borrowing costs that can be attributed to a qualified asset to be capitalized. An asset is defined as a qualified asset if a considerable period of time is necessary to put the asset in its intended condition for use or sale. The standard provides for the revision's prospective application.

In accordance with the standard's transitional regulations, the Group shall apply the standard prospectively. Consequently, borrowing costs will be capitalized for qualified assets from January 1, 2009 onward. No changes arise for borrowing costs previously incurred that have immediately been charged to expense. Due to the insignificance of qualified assets in the fiscal year of first-time application, no effects are to be expected on the profit, financial and economic situation from first-time application of this revision.

## **IAS 27 – Consolidated and Separate Financial Statements acc. to IFRS**

Revised standard IAS 27 was released in January 2008. The changes are applicable for the fiscal years beginning on or after July 1, 2009. The changes result from a joint project of IASB and FASB for the revision of accounting regulations for business combinations. The changes primarily concern the accounting of investments with no control over the entity (minority interest), participating in the Group's losses to the full amount in the future, and of transactions that lead to a loss of control over a subsidiary and whose consequences shall be recognized in the income statement. The consequences of the sale of investments not resulting in a loss of control shall be recognized in equity, not affecting net income. The transitional provisions, generally requiring a retrospective application of realized changes, provide for a prospective application with respect to the above-mentioned cases. Therefore no changes arise for assets and liabilities resulting from such transactions prior to the first-time application of the new standard.

Should continuing losses result in full utilization of amounts allocated for minority interests in the fiscal year of first-time application, the proportion of loss attributable to minority interests is still allocated in full. The resulting negative amount is disclosed separately in equity. A disclosure in assets cannot be considered due to the lack of enforceable compensation claim.

## **IAS 32 Amendment – Financial Instruments: Presentation and IAS 1 Amendment**

The amendment to IAS 32 and IAS 1 was released in February 2008 and is applicable for the fiscal years beginning on or after January 1, 2009. The amendment addresses the classification of redeemable financial instruments as equity or financial liability. According to the previous regulation, companies were forced in part to disclose capital as financial liability due to the shareholders' lawful rights of cancellation. In future, these financial instruments shall be generally classified as equity if compensation at the respective market value is agreed on and the instruments belong in the most subordinate class of instruments.

Because of the legal structure of the parent company and the pertinent statutory and corporate law provisions, the revision will not affect the classification, valuation, and disclosure of financial instruments in the consolidated financial statements.

### **IFRIC 12 – Service Concession Arrangements**

IFRIC interpretation 12 was released in November 2006 and is applicable for the fiscal years beginning on or after January 1, 2008. The interpretation governs the accounting of obligations assumed and rights granted within the context of service concession arrangements in the lessee's financial statements.

The companies included in the consolidated financial statements are not lessees of concessions pursuant to IFRIC 12. This interpretation will therefore have no effect on the Group.

### **IFRIC 13 - Customer Loyalty Programs**

IFRIC interpretation 13 was released in June 2007 and is applicable for fiscal years beginning on or after July 1, 2008. According to this Interpretation, loyalty award credits granted to customers shall be accounted for as sales separate from the transaction within whose framework they have been granted. Therefore a part of the fair value of the consideration received is attributed to the loyalty award credits and deferred as a liability. The realization of sales occurs in the period in which the customer loyalty award credits are executed or expired.

As the Group currently has no customer loyalty programs, no effects on the consolidated financial statements are expected to arise from this interpretation.

## **IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

IFRIC interpretation 14 was released in July 2007 and is applicable for the fiscal years beginning on or after January 1, 2008. This interpretation provides guidelines for the determination of the limit on the amount of the surplus from a defined benefit plan that can be capitalized as an asset according to IAS 19: Employee benefits.

As the Group has no defined benefit plans, no effects from this interpretation are expected for the consolidated financial statements.

### **2.4 Significant accounting judgments, estimates and assumptions**

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain accounting judgments, estimates and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the balance sheet date. Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying values of the assets and liabilities concerned.

The most important forward-looking assumptions and other major sources of uncertainty as of the balance sheet date, which involve the risk of significant adjustments to the carrying values of assets and liabilities in coming fiscal years, are explained below.

#### **Impairment of non-financial assets**

The Group assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. Goodwill and other intangible assets with undefined useful lives are assessed at least once a year. Irrespective of this annual assessment, an impairment test of non-financial assets is always conducted if there is any indication that the carrying value exceeds the recoverable amount.

In order to estimate the recoverable amount (i.e. value in use and/or fair value) of the cash-generating unit or asset, management must estimate expected future cash flows and select a suitable discount rate to assess the present value of these cash flows. See Note 26 for further details.

#### Impairment of available-for-sale financial investments

The Group classifies certain assets as available-for-sale and recognizes changes in their fair value directly in equity. If the fair value falls, management makes assumptions about the loss in value in order to determine whether it constitutes a permanent impairment which must be expensed in the income statement.

#### Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards, to the extent for which it is probable that future taxable profit will be available. In order to assess the amount of deferred tax assets, management must make significant judgments based on the likely timing and level of future taxable income as well as future tax planning strategies. Further details are provided in Note 14.

#### Share-based payments

The cost of share-based payments in the form of equity instruments as remuneration for the work of employees is measured using the fair value of these equity instruments at the moment they were granted. A suitable option pricing model is used to estimate their fair value. The calculation is based on assumptions regarding the expected option term, dividend yield and volatility. Virtual stock option programs also require an assumption on how claims from share-based payments are to be settled. In accordance with the long-term nature of such remuneration agreements, such estimates are subject to considerable uncertainty. The expenses to be recognized in future in the income statement amount to EUR 1,666k (prior year: EUR 433k) as of December 31, 2007.

#### Impairment of financial assets

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well

as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. Details on impairments carried in the balance sheet are provided in Note 18.

#### Useful lives of tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to future technological developments.

#### Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. Further details are provided in Notes 32 and 41.

## **2.5 Summary of significant accounting and valuation methods**

### **Revenue recognition**

The AdLINK Group is Europe's leading independent advertising network. The specialist companies belonging to the AdLINK Group offer advertising customers a range of online marketing and sales solutions in the field of display, affiliate, domain, e-mail, direct and dialogue-based marketing. In the case of revenue recognition, a distinction must be made between the Group's various specialists.

### **AdLINK Media**

AdLINK Media comprises the specialists for e-mail marketing and direct and dialogue-based marketing "composite email" and "net:dialogs". AdLINK Media assumes

the independent third-party marketing of websites and e-mail databases with high reach and qualified content. AdLINK Media offers operators the following benefits:

- 1) Technical processing of the campaigns
- 2) No need for sales personal
- 3) High creditworthiness, as AdLINK Media assumes the advertisers' solvency risk
- 4) International network with which additional advertising revenue can be generated.

On the basis of the marketed portfolio of websites, advertisers are offered a variety of possibilities to position their campaigns according to their respective advertising objectives. The range of services comprises a variety of placement possibilities and advertising formats, as well as advice and support for the preparation of innovative advertising and various possibilities of reaching the advertiser's desired target group (so-called "targeting"). For international campaigns in particular and on request, AdLINK Media can procure advertising space on all continents, in addition to its own portfolio.

There are a number of price models available, depending on the type of campaign and the advertiser's campaign objectives. Most advertising revenue is generated on the basis of cost per thousand contacts (CPM). Some customers are billed on a cost-per-click basis, and in the case of direct and dialogue-based marketing also on a cost-per-lead/sale basis.

#### Invoicing on a cost-per-thousand-contacts (CPM) basis

In the case of invoicing on a CPM basis, billing is based on the number of ad impressions or e-mails delivered, i.e. the simple viewing of advertising is sufficient, the website visitor is not required to take any further action.

#### Invoicing on a cost-per-click basis

In the case of cost-per-click invoicing, performance can only be billed if the website visitor clicks on the advertiser's display.

### Invoicing on a cost-per-lead/sale basis

In the case of billing according to generated registrations, the number of data sets are invoiced. The scope of such data sets is agreed in advance with the advertiser and may consist purely of an e-mail address or of complex profiles. Only when a complete data set has been generated in accordance with the predefined criteria, can this be invoiced. In the case of invoicing on the basis of sales made, the user must purchase the advertiser's product. In this case, the company receives a previously defined commission.

Customers are mostly billed on a monthly basis and generally according to services performed. Revenue is recognized according to the degree of completion of the agreed transactions. Amounts invoiced in advance are recognized as advance payments received. Payments to website owners are not deducted (gross method).

### **Domain Marketing**

Sedo operates a trading platform for the secondary domain market. In addition, the company offers domain owners the possibility to market unused domains for advertising purposes (domain parking).

Sedo generates sales commission from the operation of its trading platform for the successful sale of domains via the platform and revenue for services relating to domain value assessments and domain transfers. The sales commissions and services relating to domain transfers are generally based on a percentage of the sales price achieved, whereas fixed prices are charged for the other services. Revenue is recognized on completion of the transaction or provision of the service.

A further part of sales revenue is generated from the marketing of domains which have been "parked". The domains are marketed via cooperation agreements with search engines, mainly using text links, i.e. links on the parked domains to offers of the advertisers. The Company receives performance-based payment on a monthly basis from the cooperation partner on a pay-per-click basis, according to the number of clicks counted by the cooperation partner. The monthly payments credited by the

cooperation partner are recognized as revenue. Payments to website owners are not deducted (gross method).

The Group also operates a portfolio of its own domains. These are available for sale and marketed as part of domain parking. Revenue is recognized in the case of a completed sale in the amount of the agreed sales price.

## **Affiliate Marketing**

affilinet operates an online advertising platform for affiliate marketing. Affiliate marketing is a performance-based sales solution by which advertisers or merchants can gain, control and pay their sales partners, in this case website operators, via a joint platform. As part of the affiliate program of the merchant (advertiser), available via the platform, the website operator (affiliate) incorporates the advertiser's message to promote sales of goods and services on his website and generally receives a commission for the successful brokerage of customers. The aim of the platform is to create an efficient link and communication between advertisers and website operators.

The Group guarantees the smooth operation of the platform, the measurement of performance and processing. The Company is the contractual partner both for the advertiser and the affiliate. On behalf of the affiliates, the Company assumes the solvency risk of the advertiser, as well as the invoicing and payment of the sales commission generated, in accordance with the contractual terms of the affiliates.

Advertisers are supported and advised by Group companies with the preparation of affiliate programs and the acquisition of affiliates for their respective programs.

The Company is compensated by the merchants for the use of administration and management tools within the affiliate programs, as well as for the calculation of transactions and the monthly payments to website operators. Invoicing is based on the amount to be paid to the affiliate. The calculation uses either one or a combination of the following price models:

- Invoicing on a cost-per-click basis

In the case of cost-per-click invoicing, performance can only be billed if the website visitor clicks on the advertiser's display. The amount per click is fixed.

- Invoicing on a cost-per-action basis

Performance can only be billed if the website visitor completes a pre-defined action, such as the registration of a user account or subscription to a mailing list. The amount per action is fixed.

- Invoicing on a cost-per-sale basis

In this case, invoicing is generally a percentage of actual sales or orders of the advertiser.

Invoicing is either in advance or on a monthly basis following completion of performance. Revenue is recognized on completion of performance. Amounts invoiced in advance are recognized less performance completed as advance payments received. In those cases in which performance is not billed monthly, performance completed is calculated and recognized as revenue at the prices agreed with the customer.

The Company recognizes revenue using the gross method. Remuneration of affiliates is allocated to manufacturing costs.

**Foreign currency translation**

The consolidated financial statements are prepared in euro, the Company's functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every balance sheet date using the closing rate. All currency differences are expensed in the income statement. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign cur-

rency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying values of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

For the period until January 1, 2005, the Group selected the option to treat goodwill and fair value adjustments of assets and liabilities resulting from the acquisition of foreign operations as assets and liabilities of the Group. These assets and liabilities are thus either stated in the reporting currency or treated as non-monetary foreign currency items without any further translation differences.

The assets and liabilities of foreign operations are translated into euro at the closing rate. Equity positions are valued at the time of acquisition at historical cost. Income and expenditure is translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation by currency rates, which are not extremely whippy). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

### **Property, plant and equipment**

Property, plant and equipment is carried at cost less cumulative scheduled depreciation. Scheduled depreciation is made using the straight-line method over the expected economic useful life of the asset.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are assessed as the difference between net sales proceeds and the asset's carrying value. They are recognized in the income statement in the period in which the asset is eliminated.

Additions to property, plant and equipment in the course of company acquisitions are valued at their estimated fair value.

The carrying values, assumed useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary. Any necessary changes to the depreciation method and/or useful life are treated as changes to assumptions. The useful life periods can be found in the following summary:

	Useful life in years
Leasehold improvements	Up to 10 (depending on lease period)
Vehicles	5 to 6
Other operational and office equipment	3 to 10
Office furniture and fixtures	5 to 13

Leasing contracts are all operating leases, whereby the Company acts exclusively as lessee. Leasing objects are carried in the balance sheet of the lessor, as the beneficial owner. The respective leasing charges are therefore expensed over the leasing period.

### **Borrowing costs**

Borrowing costs are expensed in the period incurred.

### **Business combinations and goodwill**

Business combinations are accounted for using the purchase method. This involves the recognition of all identifiable assets and liabilities of the acquired operation at fair value.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable

assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at amortized cost. Goodwill is subjected to an impairment test at least once annually or whenever there is any indication of impairment.

In order to test whether there is any impairment, goodwill acquired in the course of a business combination is allocated from the date of acquisition to those cash-generating units of the Group which are intended to profit from expected synergy effects. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

The impairment need is determined on the basis of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount.

### **Intangible assets**

Acquired intangible assets are carried at cost on initial recognition. The acquisition cost of intangible assets resulting from a business combination corresponds to its fair value at the time of acquisition. In the following periods, intangible assets are valued at cost less cumulative amortization and cumulative impairment charges. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are expensed in the period incurred.

A difference is made between intangible assets with limited and those with unlimited useful lives.

Intangible assets with limited useful lives are amortized over their expected economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at least at the end of each fiscal year if there is any

indication of a change in the underlying estimates. Any necessary changes to the depreciation method and/or useful life are treated as changes to assumptions. Amortization of intangible assets with limited useful lives are recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Company. With the exception of amortization of acquired intangible assets resulting from a business combination, which are disclosed separately in the income statement.

In the case of intangible assets with unlimited useful lives, an impairment test is performed at least once annually for the individual asset or on the level of the cash-generating unit. Such intangible assets are not amortized in scheduled amounts. The useful life of an intangible asset with an unlimited useful life is reviewed annually to ascertain whether the assumption of an unlimited useful life is still justified. If this is not the case, a prospective change is made from unlimited useful life to limited useful life.

The useful life periods can be found in the following summary:

	Useful life in years
Trademarks*	Unlimited
Internet platforms	5
Customer base / Databases	5
Licenses and other rights	3 to 6
Software	3

\* On the basis of management estimates, the brand CibleClick® was assumed to have a different amortization period of 2 years. In November 2007, usage of the trademark was discontinued as scheduled. The amortization amount recognized for fiscal year 2007 amounted to EUR 55k (prior year: EUR 54k).

## **Investments in associated companies**

Investments in at-equity (associated) companies are valued according to the equity method. An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Using the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The income statement includes the Company's portion of the success of the associated company. Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and – where applicable – reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding in the associated company.

The balance sheet date and the accounting and valuation methods for similar business transactions and events under comparable circumstances are generally the same for the associated company and the Company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

### **Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if an annual impairment test is necessary, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value in use. The recoverable amount of each asset must be determined, unless an asset does not generate cash flows which are largely independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. In order to determine the value in use, expected future

cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less sales costs. This is based on valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value.

Impairment charges of continued operations are recognized according to the expense category corresponding to the function of the impaired asset in the Company. This does not apply to previously revalued assets, if the gains from revaluation were recognized in equity. In such cases, impairment is recognized up to the amount of the previous revaluation in equity.

A review is made of assets, with the exception of goodwill, on each balance sheet date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased in size. In the case of such an indication, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumption used to determine the recoverable amount since recognition of the last impairment loss. If this is the case, the asset's carrying value is raised to its recoverable amount. This amount may not exceed the carrying amount, less depreciation, that would have been determined had no impairment loss been recognized for the asset in prior years. Such a reversal of an impairment loss is recognized immediately in the income statement, unless the asset is carried at the revalued amount. In this case, the reversal is treated as a revaluation increase. An impairment loss recognized for goodwill is not even reversed if the recoverable amount increases in subsequent years.

The following additional criteria are to be considered for certain assets:

## **Goodwill**

Impairment of goodwill is reviewed at least once a year. An impairment test is also performed if events or circumstances indicate that the carrying amount may be diminished. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which goodwill has been allocated. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is expensed. An impairment loss recognized for goodwill may not be reversed in the following reporting periods. The Company performs its annual impairment test for goodwill on the balance sheet date.

## **Intangible assets**

An impairment test of intangible assets with unlimited useful lives is made at least once per year. Depending on the individual case, the review is performed for a single asset or on the level of the cash-generating unit. The review is made on the balance sheet date.

## **Associated companies**

On application of the equity method, the Company ascertains whether it is necessary to recognize an impairment loss for the Company's investments in associated companies. On each balance sheet date, the Company assesses whether there are objective indications for the impairment of an investment in an associated company. If this is the case, the difference between the fair value of the associated company and the acquisition cost is recognized as an impairment loss.

## **Financial investments and other financial assets**

Depending on the individual case, financial assets as defined by IAS 39 are classified either as financial assets held at fair value through profit or loss, as loans and receiv-

ables, as held-to-maturity financial investments or as available-for-sale financial assets. Financial assets are carried at fair value on initial recognition. In the case of other financial investments than those held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also considered.

Financial assets are classified according to valuation categories at the moment of initial recognition. Where necessary and permissible, reclassifications are made at the end of a fiscal year.

All standard market purchases and sales of financial assets are recognized on the trading day, i.e. on the day on which the Company entered into the obligation to purchase the asset. Standard market purchases and sales are purchases and sales of financial assets which prescribe the delivery of the assets within a period specified by market regulations or conventions.

#### **Held-for-trading financial assets**

The category of financial assets held at fair value through profit or loss includes held-for-trading financial assets and financial assets which are classified as financial assets held at fair value on initial recognition. As in the previous year, none of the Group's financial assets were placed in this category as of December 31, 2007.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Following initial recognition, loans and receivables are carried at amortized cost using the effective interest method less allowances for impairment. Amortized cost is calculated under consideration of all discounts and premiums on purchase and includes all fees which are an integral part of the effective interest rate and transaction costs. Profits and losses are recognized in the period when the loans and receivables are eliminated or impaired or as part of amortization.

#### **Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or at least determinable payments and fixed maturities, which the Group intends and is able to hold until maturity. As in the previous year, the Group held no financial assets in this category as of December 31, 2007.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any of the three categories above. After initial recognition, available-for-sale financial assets are carried at fair value, whereby non-realized profits or losses less deferred taxes are recognized directly in equity (in the revaluation reserve).

On disposal of the assets, the cumulative profit or loss previously recognized directly in equity is reclassified to the income statement. Interest received or paid from financial investments is disclosed as interest income or interest expense. The effective interest method is used. Dividends are recognized when there is a legal claim to payment and carried in the income statement as "Dividends received".

### **Fair value**

The fair value of available-for-sale financial assets which are traded on organized markets is determined by the quoted market price on the balance sheet date. The fair value of available-for-sale financial assets for which there is no organized market is determined using valuation methods. These valuation methods include the use of recent transactions between competent, willing and independent business partners, a comparison with the fair value of another, generally identical financial instrument, an analysis of discounted cash flows and the use of other valuation methods.

## **Impairment of financial assets**

On each balance sheet date, the Group assesses whether there has been any impairment of a financial asset or group of financial assets.

### **Assets carried at amortized cost**

If there is an objective indication that loans and receivables carried at amortized cost are impaired, the loss is calculated as the difference between the asset's carrying value and the present value of the expected future cash flows (with the exception of expected future credit losses not yet occurred), discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate on initial recognition). The asset's carrying value is reduced using an impairment account. The impairment loss is recognized in the income statement.

It is first ascertained whether there is an objective indication for impairment of financial assets which themselves are significant, individually, and financial assets which themselves are insignificant, individually or together. If the Group discovers that there is no objective indication for impairment of an individually examined financial asset, whether significant or not, it assigns the asset to a group of financial assets with comparable default risk profiles and tests them collectively for impairment. Assets which are tested individually for impairment and for which impairment is ascertained are not included in the collective impairment test.

If the scale of the impairment is reduced in one of the following reporting periods and this reduction can be objectively attributed to an event occurring after recognition of impairment, the allowance is reversed. This write-back is recognized in the income statement, but is limited in scale to amortized cost at the time of the write-back.

In the case of trade receivables, if there are objective indications for an impairment of the receivable (e.g. the probability of insolvency, significant financial difficulties of the debtor or age of the receivable), a suitable write-down is made on the basis of ex-

perience values. The recognized write-downs and receivables are eliminated in the period in which they are classified as uncollectible.

### **Available-for-sale financial assets**

In the case of permanent impairment of available-for-sale financial assets, the impairment is recognized in the period in which the permanent impairment was determined. Any revaluation of the same asset recognized directly in equity in previous periods is netted without effect on the income statement.

Write-backs of equity instruments classified as available-for-sale, are not recognized in the income statement.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary selling costs.

### **Treasury shares**

Treasury shares are deducted from shareholders' equity. The purchase, sale, issue or retirement of treasury shares is not recognized in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents consist of bank balances, other investments, checks and cash in hand, which all have a high degree of liquidity and maturities of less than 3 months – calculated from the date of purchase.

## **Financial liabilities**

### **Interest-bearing loans**

Loans are recognized initially at the fair value of the performance received less transaction costs involved with borrowing.

Following initial recognition, interest-bearing loans are valued using the effective interest method at amortized cost.

Profits and losses are recognized when the debts are eliminated and in the course of amortization.

### **Financial liabilities carried at fair value through profit or loss**

Financial liabilities carried at fair value through profit or loss include held-for-trading financial liabilities and other financial liabilities classified on initial recognition as financial liabilities carried at fair value through profit or loss. As in the previous year, the Group held no financial liabilities carried at fair value through profit or loss as of December 31, 2007.

### **Trade payables**

Payables are carried at fair value on initial recognition. Following initial recognition, payables are valued using the effective interest method at amortized cost.

## **Derecognition of financial assets and financial liabilities**

### **Financial assets**

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from a financial asset have expired.

## **Financial liabilities**

A financial liability is derecognized when the underlying commitment of this liability has been fulfilled or terminated or expired.

If an existing financial liability is replaced by a different financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying values is recognized in the income statement.

## **Provisions**

Provisions are formed if the Company has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. If the Group expects at least partial compensation for a recognized provision, this compensation is only recognized as a separate asset if the reimbursement is virtually certain. The expense to form the provision is only recognized in the income statement after deduction of the reimbursement. If the interest effect from discounting is significant, provisions are discounted at a pre-tax interest rate which reflects the specific risk of the debt, if so required by the individual case. In the event of a discount, the increase in provisions caused by the passage of time is recognized as a financial expense.

## **Employee stock ownership plans**

The treatment of employee stock ownership plans is regulated in IFRS 2 (Share-based Payment). The respective balancing entry for personnel expenses of the Company's employee stock ownership plans is made in capital reserves, as such plans involve settlement via equity instruments.

In the case of plans with settlement via equity instruments, the value components are determined on the grant date, also for subsequent valuation until maturity, and fair value is determined as of the time of granting. On every valuation date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available.

The compensation cost for employee stock ownership plans granted to employees according to the regulations of IFRS 2 is calculated on the basis of option price models (generally binomial models). The assumed option maturities are based on historical data and estimations, and thus do not necessarily correspond to the actual future exercise behavior of beneficiaries. Expected volatility is based on historical volatility and the assumption that historical volatility is the best indicator of future development. Actual volatility can thus differ from assumptions.

Further details are provided in Note 34.

## **Leasing**

Leasing contracts are all operating leases, whereby the Company acts exclusively as lessee. Leasing objects are carried in the balance sheet of the lessor, as the beneficial owner. The respective leasing charges are therefore expensed over the leasing period.

## **Taxes**

### **Actual claims to income tax refunds and income tax due**

Actual claims to tax refunds and tax due for the current period and for previous periods are valued at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

Actual taxes relating to items directly recognized in equity are not recorded in the income statement, but in shareholders' equity.

## **Deferred taxes**

The liability method is used to create deferred taxes on all temporary differences existing on the reporting date between the carrying value of an asset or a liability in the balance sheet and the fiscal carrying value.

Deferred taxes are recognized for all taxable temporary differences, except:

- where the deferred tax liability from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted as of the balance sheet date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **Sales tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included under “Other current assets” or “Other liabilities” in the consolidated balance sheet.

### **3. Corporate transactions**

#### ***Transactions in fiscal 2007***

##### **Investment in Goldbach Media AG**

In April 2007, the shareholdings in the company operated with Goldbach, AdLINK Internet Media AG, Küsnacht/Switzerland (50%) and AdLINK Internet Media GmbH, Vienna/Austria (30%) were contributed to Goldbach Media AG. The sale was made as part of a capital increase for non-cash contribution by way of contributing the Group's shares in the joint ventures to Goldbach Media AG. AdLINK Internet Media AG received 89,897 shares in Goldbach Media AG as compensation, corresponding to 19.4% of the capital stock of Goldbach Media AG. The contributed companies will continue to be part of the AdLINK Group's international network and are licensees of the Group.

In the course of the non-cash contribution, the terms of the purchase contract between Goldbach Media AG and AdLINK Internet Media AG concerning the 30% share in AdLINK Internet Media GmbH, Vienna/Austria were reformulated. As a consequence of this reformulation, a purchase price payment of EUR 563k was made by AdLINK Internet Media AG during the period under review.

AdLINK Internet Media AG realized a non-cash book profit amounting to EUR 16,808k as a result of the sale and contribution of shares in both companies.

In June 2007, shares in Goldbach Media AG were listed for the first time on the Swiss Exchange. As a result of the IPO, AdLINK Internet Media AG's shareholding in Goldbach Media AG was diluted to 14.99%. These shares are classified as available-for-sale intangible intangible and disclosed under the item "Other financial assets".

Ancillary acquisition costs of EUR 51k were incurred in the course of the transaction. These were allocated to the investment valuation of Goldbach Media AG.

The change and disposal of shares in associated companies in the fiscal year 2007, as well as the addition of other financial assets, was as follows:

	<b>EUR k</b>
Opening amount of shares in associated companies as of 01.01.2007	3,012
Result of associated companies (prorated)	173
Additions from acquisitions	563
Dividend payments	-666
<b>Disposal value of associated companies</b>	<b>3,082</b>
<hr/>	
Initial valuation of shares received in	
Goldbach Media AG	19,890
<b>Result from the contribution of company shares</b>	<b>16,808</b>
<hr/>	
Initial valuation of shares received in	
Goldbach Media AG	19,890
Ancillary acquisition costs	51
<b>Additions to other financial assets</b>	<b>19,941</b>
Subsequent valuation acc. to IAS 39	8,326
<b>Other financial assets</b>	<b>28,267</b>

The dividend payment received of EUR 666k (prior year: EUR 449k) resulted from a dividend payment of AdLINK Internet Media AG, Künsnacht/Switzerland.

Due to the revaluation reserve recognized directly in equity, subsequent valuation pursuant to IAS 39 resulted in a change in deferred taxes of EUR 133k, not recognized in the income statement. The revaluation reserve results correspondingly from subsequent valuation amounting to EUR 8,853k less deferred tax liabilities.

### ***Transactions in fiscal 2006***

#### **Purchase of additional shares in Sedo GmbH**

On November 20, 2006, AdLINK purchased a further 23.80% of shares in Sedo GmbH, Cologne / Germany. At the same time, AdLINK AG transferred the 52.14% it already held as a non-cash contribution to AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany.

The acquisition costs of the additional shares amounted to EUR 34,606k and comprised costs directly allocated to the acquisition amounting to EUR 101k.

#### **Acquisition of outstanding shares in CibleClick Performances S.A.**

In fiscal year 2006 a further shareholding was acquired in CibleClick Performances S.A. Cash acquisition costs in fiscal year 2006 amounted to EUR 11,209k.

#### **4. Cost of sales**

	2007	2006
	EURk	EURk
Direct product costs	160,334	123,059
Personnel expenditure	9,473	7,247
Depreciation	334	237
Other costs	1,785	1,441
<b>Total</b>	<b>171,926</b>	<b>131,984</b>

Direct product costs consist mainly of payments for marketed advertising space and the provision of the necessary technology costs for advertising. The increase in cost of sales results mainly from revenue growth and the corresponding rise in payments to the marketed media, as well as increased personnel expenses.

#### **5. Selling expenses**

	2007	2006
	EURk	EURk
Personnel expenses	9,656	8,538
Depreciation	379	318
Other costs	5,659	4,039
<b>Total</b>	<b>15,694</b>	<b>12,895</b>

Compared with the previous year, selling expenses rose by EUR 2.8 million and thus more slowly than revenue. The corresponding ratio fell to 6.8% (prior year: 7.3%).

## 6. General and administrative expenses

	2007	2006
	EURk	EURk
Personnel expenses	8,428	6,895
Depreciation	565	321
Other costs	6,135	4,223
<b>Total</b>	<b>15,128</b>	<b>11,439</b>

General and administrative expenses rose by EUR 3.7 million and thus slightly faster than revenue. The ratio increased from 6.4% in the previous year to 6.6%.

## 7. Other operating expenses

	2007	2006
	EURk	EURk
Currency losses	1,569	620
Accounts receivable losses and new allowances for trade receivables	1,438	978
Expenses for litigation risks & compensation	1,141	0
Other	397	313
<b>Total</b>	<b>4,545</b>	<b>1,911</b>

The increase in other operating expenses of EUR 2.6 million resulted firstly from higher currency losses due to the USD/EUR and GBP/EUR development and a higher amount for the formation of allowances for trade receivables. The increase also resulted from expenses for litigation risks and compensation. Further details are provided in Notes 32 and 41.

## **8. Other operating income**

Other operating income is heavily influenced by the special item resulting from the contribution of shares as part of the acquisition of a shareholding in Goldbach Media AG (see Note 3) and breaks down as follows:

	<b>2007</b>	<b>2006</b>
	EURk	EURk
Result from the contribution of shares	16,808	0
Currency gains	1,190	795
Reversal of allowances for trade receivables	827	469
Other	1,301	913
<b>Total</b>	<b>20,126</b>	<b>2,177</b>

## **9. Amortization of capitalized intangible assets resulting from business combinations**

Amortization of capitalized intangible assets resulting from business combinations amounted to EUR 1,710k (prior year: EUR 1,776k).

This total consists of:

	<b>2007</b>	<b>2006</b>
	EURk	EURk
Customer base	1,001	1,001
Internet platform	376	376
Software	278	344
Trademarks	55	55
<b>Total</b>	<b>1,710</b>	<b>1,776</b>

Amortization of capitalized intangible assets resulting from business combinations is disclosed separately in the income statement. There is no assignment to individual functional divisions, as the corresponding intangible assets are allocated to various functional divisions.

#### **10. Goodwill amortization**

Due to signs of a deterioration in earnings and subsequent restructuring in France and the UK, the goodwill of both companies was subjected to an impairment test in the middle of the reporting year. In connection with this impairment test, goodwill of affilinet France was written down by EUR 7,662k and of AdLINK UK by EUR 1,711k in the period under review (for details see note 27).

#### **11. Interest result**

	<b>2007</b>	<b>2006</b>
	EURk	EURk
Interest expense for loans and overdraft facilities from third parties	-1,390	-652
Interest expense for loans and overdraft facilities from affiliated companies	-1,383	-822
Total	-2,773	-1,474

	<b>2007</b>	<b>2006</b>
	EURk	EURk
Interest income from credit balances with banks	212	341
Interest income from credit balances with affiliated companies	1	0
<b>Total</b>	<b>213</b>	<b>341</b>

The deterioration of the interest result compared with the previous year resulted from higher average financing requirements due to the acquisition of additional shares in Sedo GmbH in November 2006, as well as from higher interest rates.

## ***12. Expense from the guaranteed dividend payment to minority interests***

As part of the profit transfer agreement between AdLINK Internet Media GmbH Deutschland, Düsseldorf /Germany and Sedo GmbH, Cologne / Germany, the agreed compensation payments for the fiscal years 2007 to 2011 were recognized at their present value in the income statement in the previous year. An amount of EUR 54k resulting from the discounting of the compensation payments was recognized as an expense in the period under review.

The decline in disclosed non-current liabilities owed to minority interests resulted from a reclassification of the guaranteed dividend for fiscal year 2007 as current liabilities (see Note 33). The due dates of the guaranteed dividends are as follows:

In EURk	Date due	Nominal	Present value 2007		Present value 2006
			Current	Non-current	Non-current
	2008	250	250		238
	2009	250		238	227
	2010	250		227	216
	2011	250		216	206
	2012	250		206	196
		1,250	250	886	1,082

As a result of the profit transfer agreement, 100% of the profit shares of Sedo GmbH, Cologne / Germany are assigned to the result of the shareholders of AdLINK Internet Media AG for the duration of the profit transfer agreement.

### **13. Result from at-equity companies**

	<b>2007</b>	<b>2006</b>
	EURk	EURk
At-equity result of AdLINK Internet Media AG, Küssnacht/Switzerland	162	1,215
At-equity result of AdLINK Internet Media GmbH, Vienna/Austria	11	41
At-equity result	<u>173</u>	<u>1,256</u>

The decrease in the at-equity result is mainly due to the investment in Goldbach Media AG, explained in Note 3, by the contribution of shares in the Group's two at-equity companies (see note 22 and 42).

#### **14. Income taxes and deferred taxes**

The income tax expense for the period under review consists of the following items:

	2007	2006
	EURk	EURk
Income taxes for earlier periods	-277	-20
Income taxes for the current period	-5,356	-7,896
Change in deferred tax liabilities	707	671
Change in deferred tax assets	-4,749	4,689
Deferred tax assets for IPO costs	0	214
	-9,675	-2,342

There was a decrease in income taxes due, as the profit transfer agreement of November 2006 between Sedo GmbH, Cologne / Germany and AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany was applied for the first time. This enabled better usage of the Group's available loss carryforwards. Income taxes in Germany accounted for EUR 2,972k (prior year: EUR 5,592k).

Under German tax law, income taxes comprise corporate income tax and trade earnings tax together with the solidarity surcharge.

German corporate income tax was levied at 25% for the tax assessment years 2006 and 2007 and will fall in future to 15% as a result of the German Corporate Tax Reform. Additionally, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax.

German trade tax on income is levied on a company's taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate during the period under review was 17.22% (prior year: 15.75%). The increase in

the average trade tax rate resulted in particular from the change in weighting due to the addition of facilities caused by the profit transfer agreement between Sedo GmbH, Cologne / Germany and AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany. As trade tax is deductible from corporate income tax, the effective tax burden amounted to 12.7% (prior year: 11.6%).

As part of the German Corporate Tax Reform 2008, passed by the German government in 2007, trade tax will no longer be deductible as an operating expense. As compensation, the trade tax base rate will be reduced from 5% at present to 3.5%. As a result, the average trade tax rate in fiscal year 2008 will amount to approx. 14.2%.

The Group tax rate of 39.1% (prior year: 38.0%) for the current fiscal year results from the currently valid corporate tax rate in 2007 including solidarity surcharge of 26.4% (prior year: 26.4%), and the effective trade tax rate of 12.7% (prior year: 11.6%).

The Company has tax loss carryforwards in certain countries, as shown in the table below:

	2007		2006	
	EURk	Taxation rate	EURk	Taxation rate
Germany				
Corporation tax losses	16,636	15.8%	26,088	26.4%
Trade tax losses	68	14.2%	10,177	11.6%
Sweden	5,437	28.0%	4,749	28.0%
France	3,458	34.4%	3,987	33.8%
UK	2,565	30.0%	2,170	30.0%
Italy	401	27.5%	1,063	27.5%
Spain	-	30.0%	1,453	30.0%
Belgium	-	34.0%	609	34.0%

In accordance with IFRS, deferred tax assets are recognized for future benefits associated with tax loss carryforwards, providing it is likely they will be realized. The Group capitalized deferred taxes for all companies which already generated positive, taxable earnings in fiscal years 2006 and 2007, and for whom a positive EBT is already forecast in the Group's budget planning. Due to the uncertainty of such long-term planning, only those tax loss carryforwards were capitalized, which are likely to be utilized within the next three fiscal years. The time limit for utilizing loss carryforwards in different countries is as follows:

- Germany            indefinite, but minimum taxation
- Sweden:            indefinite
- France:            indefinite
- UK:                indefinite
- Italy:                5 years

The development of deferred tax assets in the period under review can be seen from the table below:

Company	EURk			EURk				Final status Dec. 31, 2007
	Jan.1, 2006	New recog- nition	Reversal	Jan.1, 2007	New recog- nition	Reversal	Allowances	
AdLINK AG	2,529	4,53	0	7,059	0	-3,665	-1,358	2,036
AdLINK Spain	385	62	0	447	0	-447	0	0
AdLINK UK	262	0	-33	229	0	0	-229	0
AdLINK Bel- gium	180	27	0	207	0	-207	0	0
AdLINK France	0	0	0	0	1,016	0	0	1,016
AdLINK Italy	0	0	0	0	110	0	0	110
Timing differ- ences	0	103	0	103	31	0	0	134
<b>Total</b>	<b>3,356</b>	<b>4,722</b>	<b>-33</b>	<b>8,045</b>	<b>1,157</b>	<b>-4,319</b>	<b>-1,587</b>	<b>3,296</b>

The allowances result from the tax rate change following the Corporate Tax Reform 2008 in Germany, as well as from the earnings situation of AdLINK UK and the necessary adjustment of deferred tax assets formed in previous years to the Company's tax loss carryforwards.

The Group's deferred taxes are composed as follows:

	<b>2007</b>	<b>2006</b>
	<b>EURk</b>	<b>EURk</b>
Deferred tax assets due to		
– tax loss carryforwards	3,162	7,942
– differing carrying amounts and consolidation adjustments	134	103
	<hr/>	<hr/>
Total deferred tax assets	3,296	8,045
Deferred tax liabilities due to		
– differing carrying amounts and consolidation adjustments	1,631	2,205
	<hr/>	<hr/>
Total deferred tax liabilities	1,631	

Deferred tax liabilities of EUR 1,498k (prior year: EUR 2,205k) result mainly from the different treatment of capitalized intangible assets from business combinations according to IFRS and in the tax balance sheet. Of this total, an amount of EUR 647k (prior year: EUR671k) results from reversal according to depreciation recognized in the period under review. Revaluation due to the German Corporate Tax Reform 2008 resulted in a change of EUR 243k. Additions due to differing carrying amounts accounted for EUR 316k.

The aggregate tax rate is reconciled to the Company's effective tax rate as follows:

In EURk	2007	2006
<b>Result before taxes</b>	<b>28,500</b>	<b>18,684</b>
<b>Tax rate</b>	<b>39.10%</b>	<b>38.00%</b>
<b>Anticipated income tax expense</b>	<b>-11,143</b>	<b>-7,100</b>
Goodwill amortization non-deductible for tax purposes	-3,665	0
Capitalization of deferred taxes on loss carryforwards not capitalized in prior years	1,126	4,689
Allowances for deferred tax assets	-1,587	0
Expenses from the guaranteed dividend to minority interests	-21	-411
Allowances for deferred tax assets on loss carryforwards of the reporting period	-6,23	-496
Utilization of loss carryforwards not capitalized in prior years	256	1,444
Income, expenses and other effects non-deductible for tax purposes	-358	-609
Effect from the non-cash contribution to Goldbach Media AG	6,243	0
Differences in tax rates between AdLINK Internet Media AG and subsidiaries	29	-337
Non-taxable at-equity results	68	477
	<hr/>	<hr/>
<b>Actual income tax expense</b>	<b>-9,675</b>	<b>-2,343</b>

### **15. Earnings per share**

“Undiluted” or basic earnings per share are calculated by dividing the result attributable to the holders of registered shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable conversion rights of convertible bonds issued had been exercised.

On December 31, 2007, capital stock was divided into 26,154,640 registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 (prior year: 25,914,900). On December 31, 2007 the Company held no treasury shares (prior year: also nil). The weighted average number of shares used for the calculation amounted to 26,051,489 (prior year: 25,884,411) for fiscal 2007. Using this number of units results in undiluted earnings per share of EUR 0.72 (previous year: EUR 0.47).

A dilutive effect must be taken into consideration for conversion rights resulting from the employee stock ownership program of AdLINK Internet Media AG which were contained in cash as of December 31, 2007. All conversion rights existing on December 31, 2007 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the conversion rights were in money and irrespective of whether the conversion rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration.

The calculation of diluted earnings per share was based on 461,630 (prior year: 778,000) potential shares (from the assumed use of conversion rights). Based on an average market price of EUR 16.24 (prior year: EUR 13.23), and in consideration of cash proceeds received by the Company, this would result in the issuance of 365,956 shares (prior year: 596,558) without consideration. Diluted earnings per share amount to EUR 0.71 (prior year: EUR 0.45) in fiscal year 2007.

## **16. Cash and cash equivalents**

	2007 EURk	2006 EURk
Cash and cash equivalents	8,866	5,925
Available-for-sale current assets	670	0
Total	9,536	5,925

In the period under review cash and cash equivalents increased by EUR 3,611k. The main reason was an increase in foreign exchange and reporting date effects.

Cash and cash equivalents generally have variable interest rates for call money accounts. The available-for-sale current assets comprise short-term security investments which can be sold at any time.

The development and application of cash and cash equivalents is stated in the consolidated cash flow statement.

## **17. Trade accounts receivable**

	2007 EURk	2006 EURk
Trade accounts receivable	53,821	37,926
Bad debt allowances	-1,671	-1,621
Trade accounts receivable, net	51,150	36,305

Trade accounts receivable do not bear interest and, depending on their geographic origin, are due between 30 and 90 days. Trade accounts receivable of the prior year include accounts receivable against at-equity companies in amount of EUR 92k. As of December 31, 2007 there were bad debt allowances of EUR 1,671k (prior year: EUR 1,621k). The development of allowances in the period under review can be seen below:

	2007	2006
	EURk	EURk
Allowances at the beginning of the fiscal year	1,621	1,356
Utilization	-449	-191
Reversals	-827	-469
Additions	1,391	921
Effects from exchange rate changes	-65	4
Allowances at the end of the fiscal year	1,671	1,621

All income and expenses from allowances and elimination of trade accounts receivable during the year are disclosed in the income statement under "Other operating income and expenses".

The age profile of non-impaired trade accounts receivable as of the balance sheet date is as shown below. The total includes accounts receivable from affiliated companies (see Note 18) and associated companies.

The age profile of trade accounts receivable is made inclusive of the non-adjusted portion of partly adjusted receivables. The Company makes allowances mainly on the basis of due date bands. The allowance for receivables overdue for more than 90 days amounts to 25% and for more than 120 days to 100%. Allowances are discounted from the gross amount of the accounts receivable. Allowances are discounted from the gross amount of the accounts receivable.

**Non-impaired trade accounts receivable**

	2007	2006
	EURk	EURk
Not yet due	32,940	28,520
Overdue 0-30 days	9,718	6,020
Overdue 31-60 days	3,465	2,188
Overdue 61-90 days	6,092	864
Overdue 91-120 days*	481	343
Overdue longer than 120 days*	24	13
Total	52,720	37,948
Of which from third parties	52,150	36,305
Of which from affiliated companies	570	1,643

\* Allowances are discounted from the gross amount of the accounts receivable.

**18. Accounts receivable from affiliated companies**

The decline in accounts receivable from affiliated companies amounting to EUR 749k is due to the reimbursement of sales tax amounts for IPO costs in the period under review. The IPO was during the period of an inter-company relationship with United Internet AG (until December 31, 2002) and was therefore corrected at parent company level in the past year. As a result, there was a corresponding receivable of AdLINK Internet Media AG from United Internet AG.

The remaining receivables result from operating activities with companies of the United Internet Group (especially 1&1 Internet AG) and comprise mainly advertising services of the AdLINK Group.

**19. Inventories**

Inventories consist exclusively of acquired domains, which are classified as available-for-sale. The increase was mainly due to the acquisition of further domains in the period under review.

Expenses of EUR 8k were recognized in the period under review (prior year EUR 3k).

## **20. Other non-financial assets**

	2007	2006
	EURk	EURk
Rent and associated costs	102	155
Sales tax on down-payments	157	8
Registration fees for domains	132	172
IT costs (software / ad serving)	66	56
Others	191	196
Total	648	587

The item “Others” comprises a number of smaller items, such as insurance, leasing payments and similar. The increase results mainly from a change in sales tax as of December 31, 2006, which led to a reduction in the item “Sales tax on down-payments” in the previous year.

## **21. Other current assets**

The increase in other current assets results in part from greater business volume and the resulting increase in input tax claims. In addition, the strong increase was also due to payment on account for the investment in DomainsBot S.r.l. in January 2008, as described in Note 40. The assets consist of the following items:

	<b>2007</b>	<b>2006</b>
	<b>EURk</b>	<b>EURk</b>
Accounts receivable from the tax office (mainly sales tax)	1,806	1,576
Security deposits	292	350
Payments on account	517	0
Accounts receivable from employees	31	11
Compensation payments	575	41
Other	_____	_____
<b>Total</b>	<b>3,221</b>	<b>1,978</b>

The security deposits result from rental agreements with individual subsidiary companies.

## **22. Shares in associated companies**

	<b>EURk</b>
<b>Carrying amount at the beginning of the fiscal year</b>	2,207
Result contributions	1,249
Additions from purchase price payments	5
Dividend payments	-449
Disposals	
<b>Carrying amount at the beginning of the fiscal year</b>	

Investments classified as “at-equity companies” concern shares in AdLINK Internet Media GmbH, Vienna / Austria and AdLINK Internet Media AG, Küsnacht / Switzerland. Both investments were contributed to Goldbach Media AG (see Note 3), so that the Group held no investments in at-equity companies at the end of the reporting period.

Details for prorated assets and liabilities to at-equity companies dropped because of the deconsolidation of the investments in fiscal year 2007. Following the values for the prior year:

<b>Balance sheet (prorated to shareholding)</b>	<b>T€</b>
Current assets	3,754
Non-current assets	782
Current liabilities	2,487
Non-current liabilities	4
Prorated net assets	2,037

**Revenue and earnings (prorated to shareholding)**

Revenue*	8,980
Earnings*	1,249
Carrying value of investment	3,012

\*according to Group shareholding

**23. Other financial assets**

Other financial assets result from the acquisition of shares in Goldbach Media AG (see Note 3). These shares are classified as available-for-sale financial assets in accordance with IAS 39.

	<b>EURk</b>
Initial valuation of shares received in	
Goldbach Media AG	19,980
Ancillary acquisition costs	51
<b>Addition of other financial assets</b>	<b>19,941</b>
Subsequent valuation acc. to IAS 39	8,853
<b>Other financial assets</b>	<b>28,794</b>

**24. Property, plant and equipment**

Capital expenditures amounted to EUR 999k (prior year: EUR 1,175k) in the period under review. As in the previous year, the expansion and modernization of office in-

frastructure and the server park accounted for the main part (EUR 963k, prior year: EUR 879k). Additions to the vehicle fleet accounted for just EUR 36k (prior year: EUR 296k).

The development of property, plant and equipment in the fiscal years 2006 and 2007 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

## ***25. Intangible assets***

There were additions of EUR 2,152k (prior year: EUR 600k) in fiscal year 2007. Investments mainly concerned the purchase of the GreatDomains brand and its customer base, as well as further investment in the integration of internet platforms in Domain Marketing and Affiliate Marketing with the used or newly launched accounting system (EUR 1,624k). The remaining EUR 528k refers to the purchase of standard software. Payments on account made in the previous year were capitalized as scheduled in the period under review.

The development of intangible assets in the fiscal years 2006 and 2007 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

This item includes intangible assets with an unlimited useful life (trademarks) amounting to EUR 773k (prior year: EUR 662k).

## ***26. Goodwill***

The decline in goodwill results from non-scheduled amortization (see Note 10).

Goodwill was divided as follows:

in EURk					
	Carrying value on 01.01.2006	Change	Carrying value on 31.12.2006 / 01.01.2007	Change	Carrying value on 31.12.2007
<b>Segment Germany</b>	<b>25,145</b>	<b>30,596</b>	<b>55,741</b>	-	<b>55,741</b>
AdLINK Germany	1,631	-	1,631	-	1,631
affilinet Germany	11,917	-	11,917	-	11,917
Sedo Germany	11,597	30,596	42,193	-	42,193
<b>Segment Euroland</b>	<b>21,853</b>	<b>3,706</b>	<b>25,559</b>	<b>-7,662</b>	<b>17,897</b>
AdLINK Belgium	440	-	440	-	440
AdLINK France	1,183	-	1,183	-	1,183
AdLINK Italy	264	-	264	-	264
AdLINK Nether- lands	1,200	-	1,200	-	1,200
AdLINK Spain	1,726	-	1,726	-	1,726
CibleClick Holding	17,040	3,706	20,746	-7,662	13,084
<b>Segment NON- Euroland</b>	<b>1,711</b>	<b>0</b>	<b>1,711</b>	<b>-1,711</b>	<b>0</b>
AdLINK UK	1,711	-	1,711	-1,711	0
<b>Godwill total</b>	<b>48,709</b>	<b>34,302</b>	<b>83,011</b>	<b>-9,373</b>	<b>73,638</b>

## ***27. Impairment of goodwill and intangible assets with unlimited useful lives***

### Goodwill

As the goodwill in question concerns intangible assets with an unlimited useful life, an impairment test is carried out at least once per year on the level of the cash-generating units. The recoverable amount of the cash-generating units is calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based on the budget presented by the respective cash-generating unit. The values used in such budgets are based on numerous assumptions, so that the value-in-use calculation depends on management judgments. The value-in-use calculation is based on a discounted cash-flow valuation.

In fiscal year 2007, the goodwill of two companies was subjected to an impairment test (see Note 10). Goodwill impairment of EUR 9,373k was determined during this test.

An impairment test carried out on the balance sheet date, as in the prior year. The review was made on the level of the cash-generating units (9) to which goodwill has been assigned (prior year 10). The Group has as in prior year defined thirteen cash-generating units in total, as in the prior year. The individual reporting units correspond to subsidiaries of AdLINK Internet Media AG (see Note 26). On the basis of the scheduled impairment test, no amortization need was discovered.

The recoverable amount of the cash-generating units was calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based on the budget approved by the Supervisory Board for fiscal year 2008, as well as the management's mid-term planning for 2009 and 2010. For 2011 and 2012, sales expectations are extrapolated according to external market studies. Cash flows after this five-year period are extrapolated on the basis of an annual growth rate of 2% (prior year 1%). The range of core assumptions is as follows:

<b><u>Main assumption</u></b>		<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>&gt;2012</b>
Sales growth	Max	39.1%	35.0%	30.0%	16.0%	16.0%	2.0%
	Min	2.1%	9.4%	16.0%	10.5%	9.6%	2.0%
Profit margin growth	Max	2.9%	2.7%	0.5%	-0.5%	-0.5%	0.0%
	Min	-4.6%	-2.9%	-2.9%	-1.0%	-0.5%	0.0%

In prior year a growth rate of 3% up to 50% were supposed for 2007 until 2011. The bandwidth of profit margin was -8% up to 3% in prior year.

The discounted interest rate used for the cash flow forecasts was between 12% and 14% (prior year 15% till 19%), according to the respective cash-generating unit.

The Company believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of cash-generating units could cause the carrying value of a cash-generating unit to significantly exceed its recoverable value. The value-in-use amounts determined are most sensitive to the following assumptions:

- 1) Growth assumptions
- 2) Profit margin development
- 3) Discounted interest rates

A change in assumptions used of 1% each would not have any effect on the result of the impairment test.

### Trademarks

For the impairment test of trademarks with unlimited useful lives, the so-called “royalty relief” method was used. The sales forecasts and underlying assumptions for goodwill were used as the basis. Royalties were stated at 1%. The tax amortization benefit factor was calculated on the basis of a German unit.

On the basis of the scheduled impairment test, no amortization need was discovered.

### **28. Trade accounts payable**

Trade accounts payable amounting to EUR 48,783k (prior year: EUR 35,087k) are owed to independent third parties with terms of less than one year.

### **29. Liabilities due to affiliated companies**

	2007	2006
	EURk	EURk
Financial liabilities due to United		
Internet AG	51,044	47,347
Interest liabilities due to United		
Internet AG	472	822
Trade accounts payable	423	108
Total	51,939	48,277

In order to optimize the interest payments on its borrowing, the AdLINK Group takes out short-term loans via a joint cash pool with United Internet AG (see also Note 38). The joint cash pool enables flexible borrowing and repayment of debt. As of the balance sheet date, financial liabilities amounted to EUR 51,044k, corresponding to a year-on-year increase of EUR 3,697k.

### **30. Liabilities due to banks**

#### a) Liabilities due to banks

	2007	2006
	EURk	EURk
Bank loans	<u>0</u>	<u>15,000</u>
Current account liabilities	176	3
Total	<u>176</u>	<u>15,003</u>

Current liabilities from bank loans of EUR 15 million in the previous year resulted from partial use of bank credit lines. The decline was due in part to the balance sheet date, as the Group had procured the required finance from United Internet AG (see Notes 29 and 38). It was also due to a reduction in the Group's borrowing as a result of cash flow generated.

#### b) Credit lines

The AdLINK Group has the following credit lines with two banks:

	<b>2007</b>	<b>2006</b>
	<b>EURm</b>	<b>EURm</b>
Available credit lines and overdraft facilities	60.0	70.0
Utilization as of the balance sheet date	0.2	15.0
Unutilized credit facilities	59.8	55.0
Guarantees	0.5	0.5
Utilization as of the balance sheet date	0.2	0.1
Unutilized guarantees	0.3	0.4

The credit lines have the following terms:

- EUR 15 million until November 2009
- EUR 30 million until May 2008
- EUR 15 million and guarantees until further notice.

### **31. Accrued taxes**

Accrued taxes consist of the following items:

	<b>2007</b>	<b>2006</b>
	<b>EURk</b>	<b>EURk</b>
Germany	4,793	3,817
UK	426	123
France	57	491
Belgium	135	0
Netherlands	0	93
Italy	0	50
Total	5,411	4,574

### **32. Other accrued liabilities**

The development of accruals in fiscal year 2007 was as follows:

<b>In EURk</b>	<b>Litigation risks</b>
<b>Jan. 1, 2007</b>	0
Utilization	0
Reversal	0
Addition	1,034
<b>Dec. 31, 2007</b>	<b>1,034</b>

Litigation risks consist of various legal disputes in France (see also Note 41).

### **33. Other current liabilities**

	<b>2007</b>	<b>2006</b>
	<b>EURk</b>	<b>EURk</b>
Liabilities to the tax office (sales tax, wage tax etc.)	2,526	1,539
Personnel expenses (holidays, bonuses etc.)	2,590	1,765
Social security	808	700
Consultation (auditing fees, legal advice etc.)	369	487
Guaranteed dividend to minority interests	250	0
Others	1,345	2,118
Total	<u>7,888</u>	<u>6,609</u>

The increase in other current liabilities is mainly due to increased headcount and the rise in sales tax liabilities resulting from growth in business volume. The position "others" includes in 2006 deferred revenue which amount to EUR 347k. In fiscal year 2007 these deferred revenue were allocated to trade accounts payable.

### **34. Employee stock ownership plans**

Management personnel of the AdLINK Group can participate in the Company's success by means of various employee stock-option plans. The oldest plan involves the issue of convertible and is covered by existing conditional capital of AdLINK Internet Media AG. In fiscal year 2007, it was decided to introduce a new plan based on virtual stock options.

There is also an option agreement between the Management Board member Stéphane Cordier and United Internet AG, concerning shares of the parent company of AdLINK Internet Media AG.

On the basis of the existing employee stock-option plans, a total amount of EUR 311k (prior year: EUR 303k) was expensed in fiscal year 2007. The item is included under "General and administrative expenses". Capital reserves were increased correspondingly by EUR 311k (prior year: EUR 303k).

Convertible bonds

#### **Employee stock ownership in accordance with a resolution of the Annual Shareholders' Meeting of April 4, 2000**

In accordance with the resolution passed by the Extraordinary Shareholders' Meeting on April 4, 2000, convertible bonds may be issued to members of the Management Board and other executives of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company.

Every nominal amount of EUR 1 of a partially convertible bond can be converted into a no-par share in AdLINK Internet Media AG having an accounting share in the capital stock of EUR 1. If converted, a cash premium in the amount of the difference between EUR 1 and the conversion price has to be paid. The conversion price is the cash settlement price of the AdLINK Internet Media AG share as recorded during

trade in the electronic trading system of Deutsche Börse AG at the time the convertible bond was issued.

A 20% portion of the company's convertible bonds may be converted into shares in the Company no earlier than 12 months after the date of issue. Up to 40% may be converted no earlier than 24 months, up to 70% no earlier than 36 months, and the whole amount no earlier than 48 months after they were issued.

The personnel expense for convertible bonds issued on the basis of an authorization of the Annual Shareholders' Meeting amounted to EUR -2k (prior year: EUR 23k) in the period under review. The compensation expense for this employee stock ownership plan is included in general and administrative expenses.

#### **Employee stock ownership in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004**

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 17, 2004, convertible bonds may be issued to employees of the company and of subsidiaries of the company, as well as to members of the Company's Management Board and executive body members of subsidiaries of the Company.

Every nominal amount of EUR 1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of EUR 1 each. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to 120% of the market price, calculated as the average of the closing price of the company share in floor trading of the Frankfurt stock exchange on the last five trading days before the convertible bonds are issued.

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; up to 50% (i.e. including the previously exercised conversion options) at the earliest 36 months after the date of issue of the convertible bonds. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of

the convertible bonds; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

The personnel expense for convertible bonds issued on the basis of an authorization of the Annual Shareholders' Meeting 2004 amounted to EUR 199k (prior year: EUR 204k) in the period under review. The compensation expense for this employee stock ownership plan is included in general and administrative expenses.

### **Evaluation and summary of changes in the convertible bond plans**

The fair value of the convertible bond options of AdLINK Internet Media AG issued on January 2, 2004 ("4th tranche") amounted to an average market price of EUR 1.23 per share (total fair value: EUR 209k). The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 88.00%
- Expected term: 4 years
- Risk-free interest: 3.85%

The fair value of the convertible bond options issued on April 8, 2005 ("5th tranche") on the basis of an authorization of the Annual Shareholders' Meeting of May 17, 2004, amounted to an average market price of EUR 0.91 per share (total fair value: EUR 364k). The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 68.00%
- Expected term: 5 years
- Risk-free interest: 3.50%

The fair value of the convertible bond options issued on May 23, 2005 ("6th tranche") on the basis of an authorization of the Annual Shareholders' Meeting of May 17, 2004, amounted to an average market price of EUR 1.71 per share (total fair value: EUR 785k). The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 68.00%
- Expected term: 5 years
- Risk-free interest: 3.50%

The changes in the convertible bonds issued or outstanding are set out in the following table:

	<u>number of options</u>	<u>mean exercise price in EUR</u>
Outstanding on December, 31 2005	959,005	3.04
Exercise	62,955	1.51
of which 3th tranche	28,955	1.28
of which 4th tranche	34,000	1.71
Return / Expiry	118,050	3.58
of which 3th tranche	1,050	1.28
of which 6th tranche*	<u>117,000</u>	<u>3.60</u>
Outstanding on December, 31 2006	778,000	3.08
Exercise	239,740	2.78
of which 4th tranche	85,000	1.71
of which 5th tranche*	100,000	3.24
of which 6th tranche*	54,740	3.60
Return / Expiry	76,630	2.34
of which 4th tranche	51,000	1.71
of which 6th tranche*	<u>25,630</u>	<u>3.60</u>
Outstanding on December, 31 2007	461,630	3.37
		<b>available for conversion December 31, 2007</b>
of which 5th tranche*	300,000	-
of which 6th tranche*	161,630	750
Mean weighted residual time (in month)	52	

\*In these tranches, the nominal value of EUR 1 corresponds to a conversion right for 10 shares.

The weighted average closing share prices in Xetra trading for conversion rights exercised in the period under review amounted to EUR 17.91.

The maturity of convertible bonds, according to their earliest conversion date, is as follows:

	2007 EURk	2006 EURk
2007	0	101
2008	16	67
2009	15	16
2010	15	16
Total	46	200

The final maturity of all convertible bonds outstanding as of the balance sheet date is in 2011 (prior year: 136 EURk maturity 2009, 64 EURk maturity 2011).

#### **Option agreement of United Internet AG in May 2004**

In 2004, an option agreement was concluded between Mr. Stéphane Cordier and United Internet AG. Under the provisions of this agreement, Mr. Cordier has the right to acquire 400,000 shares of AdLINK Internet Media AG from the United Internet AG, divided into four options of 100,000 shares. The strike price amounts to EUR 1.50 per share, whereby 25% of shares cannot be acquired before July 1, 2004, 50% not before March 30, 2005, 75% not before March 30, 2006 and 100% not before March 30, 2007. The options may only be exercised in full. Partial exercise is not possible. No options had been exercised as of the balance sheet date.

The fair value of the options issued on May 24, 2004 amounted to EUR 543k; this resulted in an average market price of EUR 1.36 per share. The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 79%
- Expected term: 3 years
- Risk-free interest: 3.85%

The personnel expense for the options issued amounted to EUR 14k (prior year: EUR 76k) in the period under review. The compensation expense is included in general and administrative expenses.

### **Virtual stock options**

With a resolution adopted on August 1, 2007, the Management Board of AdLINK Internet Media AG implemented a new employee stock ownership.

The new employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of AdLINK Internet Media AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of AdLINK Internet Media AG. However, it is not a share right and thus not a (genuine) option to acquire shares of AdLINK Internet Media AG. AdLINK Internet Media AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring AdLINK Internet Media AG shares from its stock of treasury shares to the beneficiary at the strike price.

In the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the Company is legally forbidden to issue

shares), or cash settlement was common business practice or the declared Company guideline in the past, or the Company generally settles in cash if the beneficiary so desires.

This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, the first tranche was issued to senior managers of the AdLINK Group. The resolution comprises a volume of up to 230,000 virtual stock options at an issuance price of EUR 15.51 (Tranche A).

With a resolution of November 28, 2007 and approval of the Supervisory Board, the second tranche was issued to the Management Board member Andreas Janssen. The tranche issued comprises a volume of 200,000 at an issuance price of EUR 17.41 (Tranche B).

### **Evaluation and summary of changes in the virtual stock option plans**

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options of Tranche A issued in fiscal year 2007 was calculated as follows:

The fair value of virtual stock options issued on the basis of the resolution of September 3, 2007 amounted to EUR 863k, resulting in an average market price of EUR 3.75 per option. The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 52.00%
- Expected term: 5 years
- Risk-free interest: 4.01%

The personnel expense for the virtual stock options of Tranche A issued amounted to EUR 97k in the period under review.

The fair value of virtual stock options issued on the basis of the resolution of November 28, 2007 amounted to EUR 723k, resulting in an average market price of EUR 3.61 per virtual option. The following assumptions were made:

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 55.00%
- Expected term: 5 years
- Risk-free interest: 3.86%

The personnel expense for the virtual stock options of Tranche B issued amounted to EUR 20k in the period under review.

	<b>Number of SARs</b>	<b>Mean exercise price</b>
	_____	_____
Outstanding on December 31, 2006	-	-
Issue	430,000	16.39
Of which Tranche A 2007	230,000	15.51
Of which Tranche B 2007	200,000	17.41
	_____	_____
Outstanding on December 31, 2007	430,000	16.39
Of which available for conversion on December 31, 2007	-	-

**35. Capital stock**

By making partial use of the Conditional Capital I/2000 and Conditional Capital 2005, capital stock was increased in the period under review by EUR 239,740, from EUR 25,914,900 to EUR 26,154,640, through the issue of 239,740 new registered ordinary shares against payment by cash. The cash contributions result from the conversion of convertible bonds in fiscal year 2007, issued as part of the employee stock-option plans. On the balance sheet date, capital stock amounted to 26,154,640 registered shares each having a theoretical share in the capital stock of EUR 1.

As of December 31, 2007 the capital stock was held as follows:

	<b>Thsd.</b>	
	<b>units</b>	<b>%</b>
	<hr/>	<hr/>
United Internet AG	22,945	87.78
Free float	3,105	11.87
Management Board and Super- visory Board	105	0.40
	<hr/>	<hr/>
	<b>26,155</b>	<b>100.00</b>
	<hr/> <hr/>	<hr/> <hr/>

The authorized and conditional capital of AdLINK Internet Media AG was as follows:

<b>As of December 31, 2007</b>	<b>EURk</b>	<b>Outstanding EURk</b>
	<hr/>	<hr/>
<b>Capital stock</b>	<b>26,155</b>	
Authorized capital		
- 2005; until May 17, 2010	12,900	-
Conditional capital		
- 1/2000 (convertible bond)	750	-
- 2004 (convertible bond)	1,095	462
- 2005 (warrant or convertible bond); until May 16, 2010	10,000	-

Authorized capital

- Authorized Capital 2005

With a resolution of the Annual Shareholders' Meeting of May 17, 2005, the Management Board was authorized to increase capital stock up to EUR 12,900,000 (Authorized Capital 2005).

The Management Board was authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before May 17, 2010 by a total of EUR 12,900,000 by issuing new no-par shares for cash or non-cash contributions.

In the case of a capital increase for cash contribution, shareholders must be granted subscription rights. The Management Board is authorized, however, subject to ap-

proval by the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- should it be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation; or
- in the case that the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation, or
- to equalize fractional amounts.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

### Conditional Capital

- Conditional Capital I+II/2000

At the Annual Shareholders' Meeting on April 4, 2000, the resolution was made to increase the capital stock conditionally by a maximum of EUR 1,992,000, divided into up to 1,992,000 no-par shares (Conditional Capital I/2000), and by a maximum of EUR 8,000, divided into up to 8,000 no-par shares (Conditional Capital II/2000). This conditional increase of capital was registered in the commercial register on May 8, 2000.

The conditional increase in capital is earmarked for conversion options to be granted to the bearers of convertible bonds. It will only be implemented to the extent that these conversion options are exercised. The shares participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to the members of the Management Board, the Supervisory Board is authorized and, with regard to the other persons entitled to convertible bonds, the Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

In accordance with a resolution passed at the Annual General Meeting on May 17, 2004, Conditional Capital I/2000 was amended to the extent that the capital stock is now only at EUR 1,000,000.00 divided into 1,000,000 no-par value shares. The reduction was made to reflect the maximum number of conversion rights when the plan was terminated. Conditional Capital was reduced by EUR 85k (prior year: EUR 63k).

With a resolution of the Annual Shareholders' Meeting of May 29, 2007 Conditional Capitals I/2000 was eliminated.

#### - Conditional Capital 2004

At the Annual Shareholders' Meeting held on May 17, 2004, a conditional increase of capital stock was agreed of EUR 1,250,000 divided into 1,250,000 no-par value shares. The relevant entry was made in the commercial register on August 4, 2004.

The conditional increase in capital is earmarked for a new employee stock option plan which guarantees conversion rights to the owners of new convertible bonds. It will only be implemented to the extent that these conversion options are exercised. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to members of the Management Board, the Supervisory Board is authorized, and with regard to the other persons entitled to convertible bonds, the Management Board is authorized, to define further details of the conditional capital increase and the execution thereof. A maximum of EUR 650,000 of the conditional capital increase may be allotted to the members of the Management Board of the Company and a maximum of EUR

600,000 to employees of the Company or of subsidiary companies, including management employees of the subsidiary companies.

Due to usage from the conversion of convertible bonds, Conditional Capital was reduced by EUR 155k (prior year: EUR 0k).

#### - Conditional Capital 2005

At the Annual Shareholders' Meeting held on May 17, 2005 a conditional increase of capital stock was agreed of EUR 10 million divided into 10,000,000 no-par value shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 17, 2005 authorized the Company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

#### Treasury Shares

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 29, 2007 the Management Board is authorized pursuant to Section 71 (1) No. 8 AktG to acquire treasury shares not exceeding 10% of its capital stock by November 28, 2008. The price paid for acquisition of these shares may not be more than 10% above or below the stock market price. The authorization can be exercised by the Company wholly or in partial amounts, on one or several occasions, for one or several purposes; it can also be exercised by independent companies or those in which the Company owns a majority shareholding or on its account by third parties. The purchase of treasury shares for trading purposes is excluded. The subscription rights

of shareholders for their share is excluded as these shares are used according to the following authorizations.

The Management Board is authorized, subject to approval by the Supervisory Board, to sell the acquired treasury shares in another way than on the stock exchange or by offering them to all the shareholders if the shares are sold for cash at a price which is not substantially lower than the quoted market price of the Company's shares and subject to the same terms at the time of sale. The stock market price for the purpose of the above arrangement is the XETRA opening price for the Company's shares on the Frankfurt Stock Exchange on the sale date.

The Management Board is further authorized by a resolution to use treasury shares with the approval of the Supervisory Board to settle subscription rights from employee stock-option plans in respect of members of the Management Board, Company employees and managers and employees of affiliated companies pursuant to Sections 15ff. AktG. Insofar as a transfer to members of the Management Board is intended, the decision must be taken by the Company's Supervisory Board.

The Management Board is further authorized to use acquired treasury shares with the approval of the Supervisory Board to fulfill conversion or option rights or conversion obligations resulting from convertible or warrant-linked bonds issued by the Company or independent companies or those in which the Company owns a majority shareholding.

The Management Board is also authorized to call in the Company's treasury shares subject to approval by the Supervisory Board but without a corresponding resolution of the Annual Shareholders' Meeting.

The authorization replaces the resolution of the Annual Shareholders' Meeting of June 12, 2006. No treasury shares were acquired during fiscal year 2007.

### **36. Capital reserves**

The development of capital reserves is shown in the following summary:

	2007	2006
	EURk	EURk
Capital reserves at the beginning of the fiscal year	<u>62,750</u>	<u>62,047</u>
Addition from stock-option plans	311	303
Increase in capital reserves from the conversion of convertible bonds	427	32
Subsequent reduction of IPO costs due to reimbursement of input sales tax	0	368
Capital reserves at December 31	<u><u>63,488</u></u>	<u><u>62,750</u></u>

### ***37. Additional details on financial instruments***

The following table shows the carrying values, valuation rates and fair values according to valuation categories and shows every category of the Group's financial assets and liabilities:

In EURk	Valuation category acc. to IAS 39	Valuation acc. to IAS 39		Fair value not affecting net income	Fair value on Dec. 31, 2007
		Carrying value on Dec. 31, 2007	Amortized cost		
<b>Assets</b>					
Cash and cash equivalents	lar	9,536	9,536		9,536
Trade accounts receivable	lar	52,150	52,150		52,150
Accounts receivable from affiliated companies	lar	570	570		570
Other short-term financial assets	lar	3,221	3,221		3,221
Other long-term financial assets	afs	28,794		28,794	28,794
<b>Liabilities</b>					
Trade accounts payable	falc	48,783	48,783		48,783
Liabilities due to affiliated companies	falc	51,939	51,939		51,939
Liabilities due to banks	falc	176	176		176
Convertible bonds	falc	46	46		46
Other financial liabilities	falc	8,708	8,708		8,708
Of which aggregated acc. to valuation categories of IAS 39:					
Loans and receivables	lar	65,477	65,477		65,477
Available-for-sale	afs	28,794		28,794	28,794
Financial liabilities measured at amortized cost	flac	109,652	109,652		109,652

In EURk	Valuation category acc. to IAS 39	Valuation acc. to IAS 39			Fair value on Dec. 31, 2006
		Carrying value on Dec. 31, 2006	Amortized cost	Fair value not affecting net income	
<b>Assets</b>					
Cash and cash equivalents	lar	5,925	5,925		5,925
Trade accounts receivable	lar	36,305	36,305		36,305
Accounts receivable from affiliated companies	lar	1,643	1,643		1,643
Other current financial assets	lar	1,978	1,978		1,978
<b>Liabilities</b>					
Trade accounts payable	falc	35,161	35,161		35,161
Liabilities due to affiliated companies	falc	48,277	48,277		48,277
Liabilities due to banks	falc	15,003	15,003		15,003
Convertible bonds	falc	200	200		200
Other financial liabilities	falc	7,224	7,224		7,224
Of which aggregated acc. to valuation categories of IAS 39:					
Loans and receivables	lar	45,851	45,851		45,851
Available-for-sale	afs	0		0	0
Financial liabilities measured at amortized cost	flac	105,865	105,865		105,865

Valuation according to fair value (without effect on net income) is only used for the category other financial assets. Details are provided in Notes 3 and 23.

Cash and cash equivalents, trade accounts receivable and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value. Convertible bonds bear interest. As interest is not significantly different to the observable market rate, the carrying value is similar to fair value.

### **38. Transactions with related parties**

a) United Internet AG, Montabaur / Germany

United Internet AG is the majority shareholder of AdLINK Internet Media AG.

In connection with the financing of additional shares in Sedo GmbH, Cologne / Germany, a credit line agreement of EUR 65 million was signed on December 20, 2006, which was limited to January 30, 2007 with a variable interest rate according to the 3-month Euribor rate plus a fixed surcharge. On its expiry, the credit line agreement was replaced by the contract signed in May 2005 between AdLINK Internet Media AG and United Internet AG concerning participation in an overdraft service. Under this agreement, AdLINK Internet Media AG is able to borrow and repay money flexibly. The agreement can be terminated at any time with 10 days notice to the end of the month.

Interest is variable and based on the market interest rate, which was between 4.5% and 5.0% in fiscal year 2007.

In addition, the Group has a number of operating relationships with the United Internet Group. These relationships are mainly with the following companies of the United Internet Group:

- (1) United Internet AG, Montabaur / Germany
- (2) 1&1 Internet AG, Montabaur / Germany
- (3) A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur / Germany
- (4) United Internet Media AG, Montabaur / Germany
- (5) InterNetX GmbH, Regensburg / Germany
- (6) 1&1 Internet Ltd., Slough / UK

The volumes of mutual business can be seen from the following table:

<b>Object of business transaction</b>	2007	2006
	EURk	EURk
Acquired inventories (domains)	177	55
Acquired intangible assets	255	43
Acquired property, plant and equipment	58	3
Interest expenses	1,383	822
Insurance services	34	39
Rent paid	115	112
Other services received	606	439
Sales revenue	4,299	4,905
Rent received	98	85
Interest income	1	0

Rent received results from a subletting agreement between AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany and United Internet Media AG. AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany sublets part of a property it rents itself in Düsseldorf. The agreed terms and conditions are in line with the Company's own terms.

Insurance services concerned group insurance in which the Group is involved as a result of its ownership relationship with United Internet AG. The conditions of such group insurance policies are more favorable for the AdLINK Group (due to pooling and volume benefits), than if concluded on the level of the AdLINK Group.

Sales revenue results mainly from affiliate programs operated by Group companies, as well as (to a lesser extent) the marketing of unused domains and provision of advertising services within the AdLINK Media network.

To be reported from the past year were one receivable amounting to EUR 749k (EUR 583k actual input sales tax amounts plus accrued interest as of December 31, 2006 of EUR 166k) as of the balance sheet date from the former inter-company rela-

tionship between AdLINK Internet Media AG and United Internet AG. Although the inter-company relationship was already ended on January 1, 2003, there was a receivable from the reimbursement of sales tax amounts for IPO costs due to a changed legal situation which was corrected at parent company level (United Internet AG), as the IPO took place during the time of the inter-company relationship.

b) Goldbach Media AG, Küsnacht / Switzerland

In the previous year, the relationship between investments in AdLINK Internet Media AG, Küsnacht/Switzerland and AdLINK Internet Media GmbH, Vienna/Austria with the Group and United Internet Group was reported. Due to the transaction described in Note 3, there is now no significant influence on the business of these companies nor their parent company Goldbach Media AG.

c) Management Board and Supervisory Board

There were no changes in the composition of the Supervisory Board in the period under review. As of December 31, 2007 the Supervisory Board therefore consisted of Mr. Michael Scheeren (banker), as chairman of the Supervisory Board, Mr. Norbert Lang (member of the Management Board of United Internet AG) and Mr. Andreas Gauger (member of the Management Board of 1&1 Internet AG), as in the previous year.

The Chairman of the Supervisory Board, Mr. Michael Scheeren, was also a member of the supervisory board of United Internet AG, Montabaur / Germany, and of United Internet Media AG / Germany, Montabaur. Mr. Michael Scheeren is also chairman of the supervisory boards of 1&1 Internet AG, Montabaur / Germany. Mr. Scheeren resigned from his chairmanship of the Supervisory Board of NT plus AG, Osnabrück / Germany on December 27, 2007. Mr. Scheeren has also been a member of the Administrative Board of Goldbach Media AG, Küsnacht / Switzerland since May 21, 2007.

In addition, to his mandate with AdLINK Internet Media AG, the deputy chairman of the Supervisory Board, Mr. Norbert Lang was also a member of the supervisory

board of United Internet Media AG, Montabaur / Germany throughout the entire year. Mr. Lang retired from his seat on the supervisory board of twenty4help Knowledge Service AG, Montabaur / Germany on March 12, 2007.

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 17, 2005, the members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to EUR 7,500 per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to EUR 250 for every EUR 0.01 of earnings per share of AdLINK Internet Media AG, as disclosed in the Company's consolidated financial statements according to IFRS, which exceeds a minimum amount of EUR 0.12 per share. The minimum amount increases annually by 10%. The variable remuneration element is limited to EUR 5,000 per Supervisory Board member.

The chairman of the Supervisory Board, Michael Scheeren, received total remuneration of EUR 20k (prior year: EUR 20k). Of this total EUR 15k (prior year: EUR 15k) was fixed and EUR 5k variable (prior year: EUR 5k). The two other members of the Supervisory Board, Norbert Lang and Andreas Gauger waived their remuneration rights, as they sit on the management boards of companies belonging to the United Internet Group. There are no convertible bond programs for members of the Supervisory Board.

As of December 31, 2007, the Management Board of AdLINK AG consisted of three members: Stéphane Cordier, Andreas Janssen and Marc Stilke. Andreas Janssen was appointed to the Management Board of AdLINK Internet Media AG on May 1, 2007. The former CFO, Mr. Guy Challen, retired from the Management Board on April 31, 2007.

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board is performance-oriented and consists of fixed and variable elements. In addition, there is a component providing long-term incentives in the form of converti-

ble bonds, stock options or virtual stock options. The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to the sales and earnings figures. Depending on the attainment of targets, the Chairman of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. There is no subsequent amendment of performance targets. There is no guaranteed minimum payment of the variable remuneration component.

Total remuneration paid to the members of the Management Board for fiscal year 2007 amounted to EUR 1,092k (prior year: EUR 933k). Of this total, the fixed sums amounted to EUR 532k (prior year: EUR 443k), the variable sums to EUR 272k (prior year: EUR 305k) and remuneration components providing long-term incentives to EUR 288k (prior year: EUR 185k). The remuneration component providing long-term incentives is measured at fair value on the date such compensation plans were issued.

The cash remuneration paid to Mr. Stéphane Cordier amounted to EUR 338k (prior year: EUR 314k), of which EUR 194k (prior year: EUR 149k) was fixed and EUR 144k (prior year: EUR 165k) variable. Mr. Marc Stilke received remuneration of EUR 255k (prior year: EUR 269k), of which EUR 180k (prior year: EUR 180k) was fixed and EUR 75k (prior year: EUR 89k) variable. In the case of Mr. Guy Challen, who retired from the Management Board in April 2007, the cash remuneration of EUR 65k (prior year: EUR 165k) consisted of a fixed element of EUR 38k (prior year: EUR 114k) and a variable element of EUR 27k (prior year: EUR 51k). Mr. Andreas Janssen, CFO since May 2007, received cash remuneration of EUR 146k, of which EUR 120k was fixed and EUR 26k the guaranteed variable remuneration component for fiscal year 2007.

In addition to cash remuneration, there are remuneration components providing long-term incentives, as described below.

In fiscal year 2007 the Supervisory Board adopted a resolution of November 28, 2007, to issue 200,000 virtual stock options (so-called Stock Appreciation Rights or

SARs) to Mr. Janssen at an issue price of EUR 17.41. SARs refer to the commitment of AdLINK Internet Media AG to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company's share in electronic trading (XETRA) on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company's share in electronic trading (XETRA) on the last 10 trading days before granting the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the issue price. Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the issue of the option. Mr. Janssen can convert no sooner than November 2009. Details on determining fair value at the time of issuance are provided in Note 34 (Virtual Stock Options, Tranche B).

In fiscal year 2005 convertible bonds with a nominal amount of EUR 40k were issued to Mr. Stilke. The issue price amounted to EUR 3.24. Every nominal amount of EUR 1 of a partially convertible bond can be exchanged for ten no-par registered shares of AdLINK Internet Media AG. The conversion rights may only be exercised in staggered amounts, whereby up to 25% of the Company's partially convertible bonds may be converted at the earliest 24 months after the date of issue; up to 50% at the earliest 36 months after the date of issue. A total of up to 75% may be exercised at the earliest 48 months after the date of issue; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds. Remuneration from conversion rights accrued in fiscal year 2007 and based on the fair value of the convertible bonds at the time of issuance amounted to EUR 63k (prior year: EUR 0). In fiscal year 2007 Mr. Stilke converted convertible bonds with a nominal amount of EUR 10k. Details on determining fair value at the time of issuance are provided in Note 34 (Employee Stock Ownership acc. to a Resolution of the Annual Shareholders' Meeting of May 17, 2004, 5<sup>th</sup> Tranche).

In fiscal year 2004 an option agreement was made between Mr. Cordier and United Internet AG. This included the right to acquire 400,000 shares of AdLINK Internet

Media AG from the stock of United Internet AG, divided into 4 options of 100,000 shares each. The options were to be exercised in staggered amounts, whereby 100% of the options could be acquired after March 30, 2007. No time limits were set. Remuneration from conversion rights accrued in fiscal year 2007 and based on the fair value of the convertible bonds at the time of issuance amounted to EUR 158k (prior year: EUR 146). In fiscal year 2007 Mr. Cordier did not exercise any options. Details on determining fair value at the time of issuance are provided in Note 34 (Option Agreement of United Internet AG of May 2004).

In fiscal year 2004 the Supervisory Board approved the issue of convertible bonds amounting to EUR 170k to Mr. Challen, based on a resolution adopted by the Annual Shareholders' Meeting in 2000. Remuneration from conversion rights accrued in fiscal year 2007 and based on the fair value of the convertible bonds at the time of issuance amounted to EUR 67k (prior year: EUR 39k). In 2007 Mr. Challen exercised 85,000 conversion rights for shares in AdLINK Internet Media AG. Details on determining fair value at the time of issuance are provided in Note 34 (Employee Stock Ownership acc. to a Resolution of the Annual Shareholders' Meeting of April 4, 2000, 4<sup>th</sup> Tranche).

The number of shares and subscription rights of AdLINK Internet Media AG held by members of the Management Board and the Supervisory Board is given in the following table:

	Shareholding		Subscription rights from employee stock ownership plans			
	Dec. 31, 2007	Dec. 31, 2006	Options	SAR	Options	SAR
			Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2006
<b>Supervisory Board</b>						
Michael Scheeren	72,656	72,656	-	-	-	-
Norbert Lang	30,850	30,850	-	-	-	-
Andreas Gauger	1,000	1,000	-	-	-	-
<b>Management Board</b>						
Guy Challen (retired April 30, 2007)	-	-	-	-	136,000	-
Stéphane Cordier	-	-	400,000	-	400,000	-
Andreas Janssen	-	-	-	200,000	-	-
Marc Stilke	-	-	300,000	-	300,000	-
<b>Total</b>	<b>104,506</b>	<b>104,506</b>	<b>700,000</b>	<b>200,000</b>	<b>936,000</b>	<b>-</b>

### **39. Risk and capital management**

The AdLINK Group is exposed to certain risks with regard to its assets, liabilities and planned transactions, especially market risks, liquidity risks, contingency and credit risks. The aim of financial risk management is to continually monitor such risks and to limit them as far as possible by undertaking operating and finance-oriented activities.

The principles of this finance policy are set by the Management Board of AdLINK Internet Media AG and documented in a risk manual, which is made available to all Group companies. The provisions are continually compared with changing legal conditions, and adapted or developed as required.

The Company does not use any derivative financial instruments to hedge against financial risks.

### **Market risks**

In the course of its business activities, the Company is mainly confronted with financial risks from changes in exchange rates (currency risk) and interest rates (interest risk), as well as competition risks.

### **Currency risks**

The Group operates in the Euro zone as well as via independent subsidiaries in Sweden, the UK, Switzerland and the USA. The annual financial statements contain no financial liabilities in foreign currencies. The Company's currency risks therefore result mainly from internal financing arrangements and operating activities.

With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. The exceptions are Sedo GmbH, Cologne / Germany and AdLINK Internet Media Ltd., London / UK, which have significant cash flows outside their functional currencies.

The Company regards the risk from existing currency risks as low.

### **Interest risks**

The Company finances its borrowing needs on a short-term basis. As of the balance sheet date, the Group's net borrowing (financial liabilities less cash and cash equivalents) amounted to EUR 41.7 million (prior year: EUR 56.4 million). All available credit lines are based on variable interest rates. Ceteris paribus, the risk of change in inter-

est rates before taxes thus corresponds to EUR 417k p.a. per 1% change in the interest rate.

### **Price risks**

The Company has a significant amount of available-for-sale financial assets (investment in Goldbach Media AG), which are valued on the basis of market prices. The Company is thus exposed to a market price risk. A 10% change in market price would lead to a reduction or increase in the Company's equity capital of EUR 2.8 million.

### **Competition risks**

In exceptional cases, the Company commits itself to predefined payments in order to retain or acquire major website operators. Such contracts involve the risk that insufficient revenue will be generated to meet the guaranteed payment. Such commitments require prior consent from the Company's Supervisory Board.

Risks from commitments entered into are monitored centrally by the Company's Controlling division and communicated to the Management Board.

### **Liquidity risks**

The Company has sufficient short-term access to credit lines and cash or cash equivalents to be able to meet its payment obligations at all times. Due to its positive business development, the Company is also sufficiently creditworthy to be able to prolong its short-term credit lines. The due dates of payments to be made by the Company are as follows:

#### **EURk**

<b>maturity structure of payments to be made</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>&gt;2011</b>
due to December 31, 2007	-	108,786	250	250	296	250
due to December 31, 2006	105,050	250	386	250	314	250

## **Contingency and credit risks**

In the course of its operating activities, the Company is exposed to a contingency risk. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. Through the use of appropriate control procedures and instructions based upon experience, the Group ensures that services are only provided to those customers who in the past have proved themselves to be creditworthy or that in the case of new customers the risk is kept within reasonable bounds. Furthermore debt management is organized in such a way that some risks can be identified at an early stage and appropriate counter-measures taken.

The maximum contingency risk is given by the carrying values of the financial assets in the balance sheet. With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances but after netting.

As of the balance sheet date, no agreements have been made to reduce the maximum contingency risk (e.g. netting agreements or commercial credit insurance).

The Company has a risk concentration of approx. 10% or 6% of trade accounts receivable with two customers each with first-class credit ratings.

## **Capital management**

The primary objective of the Group's capital management system is to ensure sufficiently high liquidity reserves to support its activities. In order to reach this target, the Group tries to achieve a balanced relationship between equity and debt capital and thus to achieve a suitable equity ratio.

In addition to the legal provisions for stock corporations, the Company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the Company are mainly performance-oriented. The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

The Group manages its capital requirements by monitoring and managing its working capital, and in particular by using the group-wide liquidity system (cash pool). Moreover, the Company manages its borrowing profile by means of its credit agreements and overdraft service with United Internet AG.

In order to maintain and adapt its capital structure, the Company can purchase up to 10% of outstanding capital stock in the form of treasury shares or use its Authorized Capital. Treasury shares can also be used as an acquisition currency or retired.

From its convertible bond plans, the Company has an obligation to issue treasury shares to the holders of convertible bonds. This obligation can be met from Conditional Capital or generally with treasury shares acquired.

#### ***40. Subsequent events***

##### **Investment in DomainsBot S.r.l.**

Effective January 1, 2008, Sedo GmbH, Cologne / Germany, acquired a minority shareholding of 40% in the Italian company DomainsBot S.r.l., Rome / Italy. A payment was already made in fiscal year 2007 for the acquisition (see Note 20), which is included in the annual financial statements as an advance payment.

It was agreed to pay an amount of EUR 120k to the owners for the acquisition of a 40% shareholding. In the agreement, Sedo GmbH, Cologne / Germany also undertakes to make a direct contribution to the company's capital. The minimum payment amounts to EUR 397k and, depending on defined sales targets of DomainsBot S.r.l. for fiscal year 2007, can rise to a maximum of EUR 716k.

A call option was also agreed between the contractual parties for a further 20% in the period January 1, 2010 to December 31, 2010. The call option depends unilaterally on the declaration of intent of Sedo GmbH, Cologne / Germany. The purchase price for these shares will depend on the sales and pre-tax earnings of DomainsBot S.r.l.

for fiscal year 2009. If the option is exercised, 50% of the achieved purchase price will be paid to the sellers and 50% contribute to the company's capital.

#### ***41. Other financial commitments and contingencies***

##### **Other financial commitments**

The main other financial commitments of the AdLINK Group result from contracts signed with respect to the following areas:

- (1) direct product costs (renting ad serving technologies and guaranteed minimum payments)
- (2) leases for offices at the Group's various locations and
- (3) leasing obligations for a part of the vehicle fleet.

In the fiscal year 2002, the Company signed an agreement for the provision of ad serving services with DoubleClick Inc.. The agreement has a term of ten years. The terms and conditions of the agreement were adjusted in December 2006 for the fiscal years 2007 and 2008. In the period under review, an additional agreement was signed with effect from January 1, 2008 concerning the provision of new technology. In the coming fiscal year, the financial liability from both contracts amounts to EUR 2,820k. As the general agreement does not include guaranteed payments and there are thus no financial obligations, only the financial obligation for fiscal year 2008 has been considered. As an exception to this rule, in the previous year an obligation was assumed based on comparable annual expenses until the expiry date of the general agreement on January 28, 2012. This resulted in a significant decline in financial obligations.

As of December 31, 2007, future financial obligations amounted to EUR 9,741k (prior year: EUR 17,568k), thereof operating leasing EUR 591k and rent in amount of EUR 4,809k.

EURk	Direct prod- uct costs	Rent	Leasing & others	Total	Prior year
Up to 1 year	3,879	1,648	361	5,888	4,244
1-4 years	0	3,208	363	3,571	9,865
>4 years	0	282	0	282	3,459
Total	3,879	5,138	724	9,741	17,568

The minimum leasing payments (rent and other operating leasing) recognized as an expense in the current fiscal year amount to approx. EUR 1.8 million (prior year approx. EUR 1.6 million).

## **Contingent liabilities and other commitments**

### **Litigation**

Legal disputes mainly concern cases pending in France. Action has been taken against the Company in several cases due to alleged infringement of trademarks. A provision was formed for any obligations arising from this litigation (see Note 32).

### **Other**

The Management Board is not aware of any facts which may have a material adverse impact on the Company's operations, financial standing or earnings.

## **42. Segment reporting**

### **Primary segment reporting**

The primary reporting format is based on geographical considerations, as the risks and income of the Group's business activities are influenced mainly by the characteristics of its geographical markets / countries. The geographical segments were created as follows:

- Germany

- Euroland: Italy, Spain, France, Belgium, the Netherlands
- Non-Euroland: Sweden, Denmark, USA, UK

The assets of the Germany segment do not include shares in subsidiaries of AdLINK AG. The results of associated companies concern the at-equity results of AdLINK Internet Media AG, Küsnacht / Switzerland and AdLINK Internet Media GmbH, Vienna / Austria. These were allocated to the Non-Euroland and Euroland segments. The one-off income from the contribution of assets (note 3) is included in the segment result, whereas EUR 1.2m are in the segment Euroland and EUR 15.6m are in the segment NON-Euroland.

in EURk FY 2007	Germany	Euroland	NON- Euroland	Consolidation	Total AdLINK
Non-group revenue	127,134	62,086	39,972		
Inter-segment revenue	3,785	990	774	-5,549	
<b>Segment revenue</b>	<b>130,919</b>	<b>63,076</b>	<b>40,746</b>	<b>-5,549</b>	<b>229,192</b>
Operating result	16,827	4,208	19,279	0	40,314
Result of at-equity companies	0	11	162		173
<b>Segment result</b>	<b>16,827</b>	<b>4,219</b>	<b>19,441</b>	<b>0</b>	<b>40,487</b>
Non-scheduled depreciation	0	-7,662	-1,711		-9,373
Interest expense				-2,773	-2,773
Interest income				213	213
Cost of guaranteed dividend to minority shareholders				-54	-54
<b>Result before taxes</b>					<b>28,500</b>
Income taxes				-9,675	-9,675
<b>Net income</b>					<b>18,825</b>
<b>Operating segment assets</b>	<b>42,043</b>	<b>37,896</b>	<b>19,900</b>	<b>-21,377</b>	<b>78,462</b>
Other financial assets				28,794	28,794
Goodwill	55,741	17,897	0		73,638
<b>Segment assets</b>	<b>97,784</b>	<b>55,793</b>	<b>19,900</b>	<b>-21,377</b>	<b>180,894</b>
Deferred tax assets				3,296	3,296
<b>Assets</b>					<b>184,190</b>
<b>Operating segment liabilities</b>	<b>31,845</b>	<b>30,352</b>	<b>14,349</b>	<b>-17,945</b>	<b>58,601</b>
Financial liabilities				51,219	51,219
Accrued taxes				5,411	5,411
Other provisions				1,034	1,034
Convertible bonds				46	46
Deferred tax liabilities				1,631	1,631
Long-term liabilities owed to mi- nority shareholders				886	886
<b>Liabilities</b>					<b>117,794</b>
Segment investments	1,963	171	1,017		3,151
Segment depreciation (sched- uled)	2,070	714	204		2,988
Non-scheduled depreciation		7,662	1,711		9,373

The comparative figures for the previous year were as follows::

in EURk FY 2006	Germany	Euroland	NON- Euroland	Consolidation	Total AdLINK
Non-group revenue	98,736	51,871	26,865		
Inter-segment revenue	1,476	1,150	11,015	-13,641	
<b>Segment revenue</b>	<b>100,212</b>	<b>53,021</b>	<b>37,880</b>	<b>-13,641</b>	<b>177,472</b>
Operating result	14,633	2,525	2,486		19,644
Amortisation of goodwill	0	0	0		0
Result of at-equity companies	0	41	1,214		1,255
<b>Segment result</b>	<b>14,633</b>	<b>2,525</b>	<b>3,700</b>	<b>0</b>	<b>20,899</b>
Interest income				341	341
Interest expense				-1,474	-1,474
Cost of guaranteed dividend to minority shareholders				-1,082	-1,082
<b>Result before taxes</b>					<b>18,684</b>
Income taxes				-2,342	-2,342
<b>Net income</b>					<b>16,342</b>
<b>Operating segment assets</b>	<b>27,694</b>	<b>28,907</b>	<b>16,024</b>	<b>-15,431</b>	<b>57,194</b>
Goodwill	55,741	25,559	1,711		83,011
Shares in at-equity companies	0	46	2,966		3,012
<b>Segment assets</b>	<b>83,435</b>	<b>54,512</b>	<b>20,701</b>	<b>-15,431</b>	<b>143,217</b>
Deferred tax assets				8,045	8,045
<b>Assets</b>					<b>151,262</b>
<b>Operating segment liabilities</b>	<b>21,348</b>	<b>22,667</b>	<b>12,406</b>	<b>-13,721</b>	<b>42,700</b>
Financial liabilities				62,350	62,351
Accrued taxes				4,574	4,574
Convertible bonds				200	200
Deferred tax liabilities				2,205	2,205
Long-term liabilities owed to minority shareholders				1,082	1,082
<b>Liabilities</b>					<b>113,112</b>
Segment investments	1,624	88	63		1,775
Segment depreciation	1,776	786	90		2,652

## Secondary segment reporting

Secondary segment reporting is made according to product segments. As the individual divisions AdLINK Media, Affiliate Marketing and Domain Marketing display dif-

ferent customer, technology and revenue structures, they are summarized accordingly. The AdLINK Media segment comprises activities under the brand names AdLINK Media, composite and net:dialogs, the Affiliate Marketing segment those of the brand affilinet (and formerly CibleClick) and the Domain Marketing segment those of the brands Sedo and GreatDomains.

in EURk FY 2007	<b>AdLINK Media</b>	<b>Affiliate Marketing</b>	<b>Domain Marketing</b>	<b>Consolida- tion / not attributable</b>	<b>Total AdLINK</b>
Non-group revenue	87,278	79,346	62,568	0	
Inter-segment revenue	956	62	37	-1,055	
<b>Segment revenue</b>	<b>88,234</b>	<b>79,408</b>	<b>62,605</b>	<b>-1,055</b>	<b>229,192</b>
<b>Operating segment assets</b>	<b>56,611</b>	<b>20,174</b>	<b>50,435</b>	<b>-48,758</b>	<b>78,462</b>
Other financial assets				28,794	28,794
Goodwill	6,444	25,001	42,193		73,638
<b>Segment assets</b>	<b>63,055</b>	<b>45,175</b>	<b>92,628</b>	<b>-19,964</b>	<b>180,894</b>
Deferred tax assets				3,296	3,296
<b>Assets</b>					<b>184,190</b>
Segment investments	1,865	547	1,353		3,765
Segment depreciation	511	1,463	1,014		2,988
Non-scheduled depreciation	1,711	7,622	0		9,373

in EURk FY 2006	<b>AdLINK Media</b>	<b>Affiliate Marketing</b>	<b>Domain Marketing</b>	<b>Consolida- tion / not attributable</b>	<b>Total AdLINK</b>
Non-group revenue	68,631	67,044	41,797	0	
Inter-segment revenue	135	257	51	-443	
<b>Segment revenue</b>	<b>68,766</b>	<b>67,301</b>	<b>41,848</b>	<b>-443</b>	<b>177,472</b>
<b>Operating segment assets</b>	<b>31,589</b>	<b>17,085</b>	<b>27,720</b>	<b>-19,200</b>	<b>57,194</b>
Goodwill	8,155	32,663	41,193		83,011
Shares in at-equity companies	3,012	0	0		3,012
<b>Segment assets</b>	<b>42,756</b>	<b>49,748</b>	<b>69,913</b>	<b>-19,200</b>	<b>143,217</b>
Deferred tax assets					8,045
<b>Assets</b>					<b>151,262</b>
Segment investments	831	532	307	105	1,775
Segment depreciation	347	1,410	893	2	2,652

### ***43. Changes in the reporting unit***

#### **Contribution of shares in AdLINK Switzerland and AdLINK Austria**

As described in Note 3, the shares held in AdLINK Internet Media AG, Küssnacht/Switzerland (50%) and AdLINK Internet Media GmbH, Vienna/Austria (30%) as of December 31, 2006 were contributed to Goldbach Media AG as a non-cash contribution on April 13, 2007 as part of a capital increase. The results of both companies were recognized according to the Group's shareholding using the equity method.

#### **Liquidation of AdLINK Denmark**

The liquidation process of AdLINK Internet Media APS, Copenhagen/Denmark was completed and the Company was deconsolidated as of the 1<sup>st</sup> quarter of 2007. The deconsolidation expense amounted to EUR 29k.

### ***44. Exemption pursuant to Sec. 264 (3) HGB***

The following companies of AdLINK Internet Media AG make use of the provisions of Sec. 264 (3) HGB I which exempt them from the first, second, third and fourth subsections of the second section of the German Commercial Code:

- AdLINK Internet Media GmbH Deutschland, Düsseldorf / Germany
- affilinet GmbH, Ebersberg/ Germany
- Sedo GmbH, Köln/ Germany
- net:dialogs GmbH, Montabaur/ Germany

In accordance with Sec. 325 HGB, the exemption was published in the electronic Federal Gazette.

#### **45. Group membership**

As the parent company of AdLINK Internet Media AG, United Internet AG prepares consolidated annual financial statements for the largest group of companies. The HGB-based result of United Internet AG for the preceding fiscal year 2006 amounted to EUR 68 million and its equity according to HGB amounted to EUR 454 million. Please refer to the annual report of United Internet AG for further information.

#### **46. Auditing fees**

In fiscal year 2007, auditing fees of EUR 266k (prior year: EUR 280k) were expensed on the level of AdLINK AG. These include auditing fees of EUR 220k (prior year: EUR 187k), tax consultancy services of EUR 39k (prior year: EUR 85k), other services of EUR 7k (prior year: EUR 2k) and valuation services of EUR 0k (prior year: EUR 6k).

On the level of the Group, total auditing fees of EUR 308k (prior year: EUR 299k) were expensed. These include auditing fees of EUR 220k (prior year: EUR 187k), tax consultancy services of EUR 81k (prior year: EUR 104k), other services of EUR 7k (prior year: EUR 2k) and valuation services of EUR 0k (prior year: EUR 6k).

#### **47. Corporate Governance Code**

The Management Board and Supervisory Board issued its declaration acc. to Sec. 161 AktG regarding conformity with the German Corporate Governance Code. The declaration is accessible for shareholders on the internet portal of AdLINK Internet Media AG ([www.adlinkgroup.net](http://www.adlinkgroup.net)).

Montabaur, March 10, 2007

The Management Board

## AUDITORS' REPORT

We have audited the consolidated financial statements prepared by AdLINK Internet Media AG, Montabaur, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the "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 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 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 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (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 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.

Eschborn/Frankfurt am Main, March 11, 2008

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Bösser  
Wirtschaftsprüfer

Grote  
Wirtschaftsprüfer

## **RESPONSIBILITY STATEMENT**

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management 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.

Montabaur, March 10, 2008

Board of Management

Stéphane Cordier    Andreas Janssen    Marc Stilke



**AdLINK Internet Media AG,  
Montabaur**

**Parents Company's Financial Statements**  
according to HGB  
(German Commercial Code)

as of December 31, 2007

**AdLINK Internet Media AG, Montabaur**  
**Balance sheet as at December 31, 2007**

ASSETS	EUR	EUR	31.12.2006 EUR	EQUITY AND LIABILITIES	EUR	EUR	31.12.2006 EUR
<b>A. FIXED ASSETS</b>				<b>A. EQUITY</b>			
<b>I. Intangible assets</b>				<b>I. Capital stock 1)</b>	26,154,640.00		25,914,900.00
1. Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	1,148,044.00		283,039.00	<b>II. Capital reserves</b>	92,616,412.21		92,189,738.21
2. Payments on account	<u>0.00</u>		<u>207,740.89</u>	<b>III. Accumulated loss</b>	<u>-62,194,310.49</u>		<u>-91,731,047.95</u>
		1,148,044.00	490,779.89			56,576,741.72	26,373,590.26
<b>II. Property, plant and equipment</b>				<b>B. ACCRUALS</b>			
Other equipment, operational and office equipment		168,351.00	114,582.00	1. Accrued taxes	1,467,633.47		587,180.00
<b>III. Financial assets</b>				2. Other accrued liabilities	<u>1,586,654.36</u>		<u>1,276,096.06</u>
1. Shares in affiliated companies	49,811,470.00		44,817,347.00			3,054,287.83	1,863,276.06
2. Shares in companies in which an investment is held	19,941,142.57		737,166.76	<b>C. LIABILITIES</b>			
3. Loans to affiliated companies	54,663,605.37		52,065,000.00	1. Bonds, thereof convertible EUR 46,163.00 (prior year: EUR 200k)	46,163.00		200,200.00
4. Other loans	<u>0.00</u>		<u>0.00</u>	2. Liabilities due to banks	163,433.64		15,000,000.00
		<u>124,416,217.94</u>	<u>97,619,513.76</u>	3. Trade accounts payable	5,047,045.29		3,293,602.67
		125,732,612.94	98,224,875.65	4. Liabilities due to affiliated companies	86,219,508.09		63,776,027.55
<b>B. CURRENT ASSETS</b>				5. Other liabilities thereof EUR 226,343.04 from taxes (prior year: EUR 168k) thereof EUR 1,772.63 for social security (prior year: EUR 2k)	228,115.67		187,240.34
<b>I. Accounts receivable and other assets</b>							
1. Trade accounts receivable	817,885.82		722,027.50				
2. Receivables due from affiliated companies	23,943,781.77		10,933,990.75			91,704,265.69	82,457,070.56
3. Receivables due from companies in which an investment is held	0.00		68,913.76	<b>D. DEFERRED INCOME</b>		46,493.70	0.00
4. Other assets	<u>5,284.04</u>		<u>54,858.47</u>				
		24,766,951.63	11,779,790.48				
<b>II. Cash in hand and bank balances</b>		<u>814,721.14</u>	<u>616,377.11</u>				
		25,581,672.77	12,396,167.59				
<b>C. PREPAID EXPENSES</b>		<u>67,503.23</u>	<u>72,893.64</u>				
		<u>151,381,788.94</u>	<u>110,693,936.88</u>			<u>151,381,788.94</u>	<u>110,693,936.88</u>

1) There is also conditional capital of EUR 11,845,360.00 (prior year: EUR 12,093,100.00)

**AdLINK Internet Media AG, Montabaur**  
**Income statement for 2007**

	EUR	EUR	2006 EUR
1. Sales	21,946,641.65		17,010,907.46
2. Other operating income	<u>5,738,348.23</u>		<u>3,783,455.40</u>
		27,684,989.88	20,794,362.86
3. Cost of materials			
Cost of purchased services	16,460,893.07		12,697,434.93
4. Personnel expenses			
a) Wages and salaries	3,097,846.36		2,656,187.11
b) Payments for social security, pensions and support, thereof EUR 10,940.00 for pensions (prior year: EUR 0k)	586,413.69		449,067.45
5. Amortization and depreciation of intangible assets and property, plant and equipment	277,445.79		156,027.14
6. Other operating expenses	<u>3,055,754.98</u>		<u>2,243,360.76</u>
		23,478,353.89	18,202,077.39
7. Income from investments	20,033,889.70		563,633.60
thereof EUR 77,462.11 (prior year: EUR 564k) from affiliated companies			
8. Income from profit transfer agreements	11,453,113.71		3,391,391.88
9. Expenses for profit transfer agreements	1,644,843.65		0.00
10. Income from other securities and loans of financial assets	3,306,033.74		1,012,926.11
thereof EUR 3,306,033.74 (prior year: EUR 1,013k) from affiliated companies			
11. Other interest and similar income	167,757.00		178,534.01
thereof EUR 123,503.47 (prior year: EUR 166k) from affiliated companies			
12. Amortization of financial assets	1,330,585.28		0.00
13. Interest and similar expenses	3,967,917.69		1,865,799.77
thereof EUR 2,584,423.33 (prior year: EUR 1,222k) to affiliated companies			
		<u>28,017,447.53</u>	<u>3,280,685.83</u>
14. Result from ordinary activities		32,224,083.52	5,872,971.30
15. Taxes on income	2,686,063.06		587,180.00
16. Other taxes	<u>1,283.00</u>		<u>1,125.00</u>
		<u>2,687,346.06</u>	<u>588,305.00</u>
17. Net profit for the year		29,536,737.46	5,284,666.30
18. Loss brought forward from previous year		<u>-91,731,047.95</u>	<u>-97,015,714.25</u>
19. Accumulated loss		<u>-62,194,310.49</u>	<u>-91,731,047.95</u>

## Development of Fixed Assets 2007

	ACQUISITION AND PRODUCTION COSTS				31.12.2007 EUR	1.1.2007 EUR	ACCUMULATED DEPRECIATION			31.12.2007 EUR	NET BOOK VALUE	
	1.1.2007 EUR	Additions EUR	Disposals EUR	Reclassifications EUR			Additions EUR	Disposals EUR	Restatements EUR		31.12.2007 EUR	31.12.2006 EUR
<b>I. Intangible assets</b>												
1. Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	1,922,986.83	884,018.24	88,708.52	207,740.89	2,926,037.44	1,639,947.83	209,595.13	71,549.52	0.00	1,777,993.44	1,148,044.00	283,039.00
2. Payments on account	207,740.89	0.00	0.00	-207,740.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	207,740.89
	2,130,727.72	884,018.24	88,708.52	0.00	2,926,037.44	1,639,947.83	209,595.13	71,549.52	0.00	1,777,993.44	1,148,044.00	490,779.89
<b>II. Property, plant and equipment</b>												
1. Other equipment, operational and office equipment	319,744.46	121,496.18	49,592.51	0	391,648.13	205,162.46	61,299.43	43,164.76	0.00	223,297.13	168,351.00	114,582.00
2. Low-cost assets	0.00	6,551.23	6,551.23	0.00	0.00	0.00	6,551.23	6,551.23	0.00	0.00	0.00	0.00
	319,744.46	128,047.41	56,143.74	0.00	391,648.13	205,162.46	67,850.66	49,715.99	0.00	223,297.13	168,351.00	114,582.00
<b>III. Financial assets</b>												
1. Shares in affiliated companies	104,902,495.58	930,585.28	3,360,362.45	0.00	102,472,718.41	60,085,148.58	1,330,585.28	3,360,361.45	5,394,124.00	52,661,248.41	49,811,470.00	44,817,347.00
2. Shares in companies in which an investment is held	737,166.76	20,504,142.57	1,300,166.76	0.00	19,941,141.57	0.00	0.00	0.00	0.00	0.00	19,941,141.57	737,166.76
3. Loans to affiliated companies	52,230,005.00	3,163,605.37	565,000.00	0.00	54,828,610.37	165,005.00	0.00	0.00	0.00	165,005.00	54,663,605.37	52,065,000.00
4. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	157,869,666.34	24,598,333.22	5,225,529.21	0.00	177,242,470.35	60,250,153.58	1,330,585.28	3,360,361.45	5,394,124.00	52,826,253.41	124,416,216.94	97,619,513.76
	160,320,138.52	25,610,398.87	5,370,381.47	0.00	180,560,155.92	62,095,263.87	1,608,031.07	3,481,626.96	5,394,124.00	54,827,543.98	125,732,611.94	98,224,875.65

# AdLINK Internet Media AG, Montabaur

## Notes to the Financial Statements for Fiscal Year 2007

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### General comments

The annual financial statements were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB). The provisions for large corporations of the German Stock Corporation Law (AktG) apply.

The income statement is prepared according to the cost summary method.

In order to enhance the clarity of presentation, certain items of the balance sheet and income statement have been combined and are therefore displayed and explained separately in these notes to the annual financial statements.

### Accounting and valuation methods

The following unchanged accounting and valuation methods were used in the preparation of the annual financial statements.

**Intangible assets** acquired for consideration are capitalized at acquisition cost and, insofar as their value diminishes, amortized according to their expected useful life (3 to 6 years; straight-line method).

**Property, plant and equipment** are valued at acquisition or production cost and depreciated in scheduled amounts, insofar as their value diminishes, over their normal useful lives.

Property, plant and equipment are depreciated over their expected useful lives at the highest rates permitted under tax laws. The straight-line method is mainly used and, wherever permitted by tax law, the declining balance method is applied for some movable assets. The straight-line method is then applied as soon as it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Low-value items (acquisition costs of no more than €410) are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. Depreciation of additions to property, plant and equipment are always made pro rata temporis.

In the case of **financial assets**, shares are recorded at the lower of the acquisition cost or realizable value on the balance sheet date and loans at their nominal values.

**Receivables and other assets** are recorded at nominal value. All risk-bearing items are covered by reasonable lump-sum bad debt allowances. Non-interest bearing receivables with due dates of over one year are discounted.

**Cash and cash equivalents** are stated at their nominal values.

**Tax accruals** and **other accruals** consider all contingent liabilities and possible losses from pending transactions. They are carried at an amount deemed necessary according to sound commercial judgment.

**Liabilities** are stated at the amount repayable.

### **Currency translation**

Trade receivables in foreign currencies are carried at bank buying rates, whereby the lower of creation-date and year-end exchange rates is taken.

Liabilities in foreign currencies are carried at bank selling rates, whereby the higher of creation-date and year-end exchange rates is taken.

### **Notes to the balance sheet items**

#### **Fixed assets**

The development of individual fixed asset items and annual depreciation amounts are shown in the fixed asset movement schedule.

Financial assets of the Company consist mainly of shares in affiliated companies, the investment in Goldbach Media AG and loans to affiliated companies.

## Shareholdings

	Currency	Shareholding %	Equity in million l.c.	Net profit in million l.c.
<b>Domestic</b>				
AdLINK Internet Media GmbH Deutschland, Düsseldorf <sup>1</sup>	EUR	100	15.3	0.0
affilinet GmbH, Ebersberg <sup>2</sup>	EUR	100	3.3	0.0
net:dialogs GmbH, Montabaur <sup>1</sup>	EUR	100	0.0	0.0
Sedo GmbH, Cologne <sup>4</sup>	EUR	76	13.4	0.0
<b>Foreign</b>				
AdLINK Internet Media S.A., Levallois Perret/France	EUR	100	0.6	0.4
AdLINK Internet Media AB, Stockholm/Sweden	SEK	100	1.2	-5.3
AdLINK Internet Media N.V., Zellik/Belgium <sup>3</sup>	EUR	100	0.7	0.7
AdLINK Internet Media Ltd., London/UK	GBP	100	-1.5	-0.9
AdLINK Internet Media S.L.U., Madrid/Spain	EUR	100	2.2	1.4
AdLINK Internet Media B.V., Haarlem/Netherlands	EUR	100	0.6	0.5
AdLINK Internet Media S.r.l., Milan/Italy	EUR	100	0.2	0.3
affilinet Ltd., London/UK	GBP	100	-0.5	-0.2
affilinet SAS, Levallois Perret/France	EUR	100	1.0	0.0
CibleClick Performances S.A., Perret/France	EUR	100	7.1	0.0
DomCollect Worldwide Intellectual Property AG, Zug/ Switzerland	CHF	76	-0.2	-0.3
Sedo.com LLC, Boston/USA	USD	76	5.6	3.2
Goldbach Media AG, Küsnacht, Switzerland	CHF	15	127.3	15.5

<sup>1</sup>) After profit transfer to AdLINK Internet Media GmbH Deutschland, Duesseldorf

<sup>2</sup>) After profit transfer to AdLINK Internet Media AG, Montabaur

<sup>3</sup>) 0.1% of shares are held indirectly via AdLINK Internet Media GmbH Deutschland, Duesseldorf.

## Loans

In order to finance the purchase of shares in affilinet SAS in fiscal year 2006, a long-term credit line amounting to €17 million was granted to affilinet GmbH, which was fully drawn as of the balance sheet date. For the purchase of shares in Sedo GmbH, AdLINK AG provided AdLINK GmbH with a long-term loan of €34.5 million in fiscal year 2006 and a short-term loan of €1.5 million.

	Due			Total
	within 1 year	1 to 5 years	over 5 years	
Loans to affiliated companies in €k	1,800	52,864	0	54,664

## Receivables and other assets

	Dec. 31, 2007 €k	Dec. 31, 2005 €k
Trade receivables	818	722
of which due in more than one year	0	0
Receivables from affiliated companies	23,944	10,934
of which due in more than one year	0	0
Receivables from companies in which an investment is held	0	69
of which due in more than one year	0	0
Other assets	5	55
of which due in more than one year	0	0
	<u>24,767</u>	<u>11,780</u>

The increase in trade receivables results mainly from international advertising campaigns carried out by AdLINK AG for a customer.

Receivables from affiliated companies mainly comprise balances from trade with subsidiaries as well as cost allocations, a receivable from the profit transfer agreement with AdLINK GmbH and cash pool receivables.

There are no receivables due from the shareholder.

## Cash and cash equivalents

As of December 31, 2007 the Company had cash and cash equivalents amounting to €815k (prior year: €616k). AdLINK AG (“pool leader”) has signed agreements with various Group members (“pool participants”) concerning a central cash management system. The pool participants undertake to transfer cash and cash equivalents not required to a central account held with Dresdner Bank AG. There is also the cash pooling contract concluded in the previous year between AdLINK AG and United Internet AG with West LB. In order to facilitate an optimum liquidity balance, the balance accrued with Dresdner Bank AG is automatically transferred to the West LB cash pool of United Internet AG.

The total liability of AdLINK AG to United Internet AG from the cash pool amounts to €51,516k.

As of the balance sheet date, the Company had access to the following unused credit lines:

<b>Open credit lines as of December 31, 2007</b>	<b>in €million</b>
WestLB AG (until May 9, 2007), prolonged by one year	30.0
Dresdner Bank AG (until further notice)	15.0
Dresdner Bank AG (until November 22, 2009)	15.0
<b>Total:</b>	<b>60.0</b>

## Capital stock

On the basis of a resolution of the Annual Shareholders' Meeting of April 4, 2000 to increase the capital stock conditionally (Conditional Capital I/2000), 85,000 no-par shares with a notional share of capital stock of €85,000 were issued in fiscal year 2007. On the basis of a resolution of the Annual Shareholders' Meeting of May 17, 2004 to increase the capital stock conditionally (Conditional Capital 2004), 154,740 no-par shares with a notional share of capital stock of €154,740 were converted for convertible bonds in fiscal year 2007.

During the period under review, the capital stock of AdLINK AG increased by €239,740 to €26,154,640.00 due to the exercise of convertible bonds by staff and a member of the Management Board. Capital stock is divided into 26,154,640 no-par value, registered shares with a theoretical share in the capital stock of €1.00 each.

The Management Board is authorized, with the approval of the Supervisory Board, to raise capital stock in the period up to May 17, 2010, in one or several amounts, by up to €12,900,000.00 by issuing new no-par value shares for cash and/or consideration (Authorized Capital 2005). The Management Board is further authorized, also with the approval of the Supervisory Board, to decide whether to exclude shareholders from conversion rights under certain circumstances.

In addition, capital stock was increased conditionally by up to €750,100.00 divided into up to 750,100 no-par value shares (Conditional Capital I/2000), by up to €1,095,260 divided into up to 1,095,260 no-par value shares (Conditional Capital III/2004) and by up to €10,000,000 divided into up to 10,000,000 no-par value shares. The increases in conditional capital were made in order to grant conversion rights to bearers of convertible bonds.

As of December 31, 2007 capital stock was held as follows:

	<u>€k</u>	<u>%</u>
United Internet AG	22,945	87.7
Free float	3,105	11.9
Management Board and Supervisory Board	105	0.4
	<u>26,155</u>	<u>100.0</u>

Additional paid-in capital increased over the period under review by €426,674.00, due to the exercise of convertible bonds, and amounted to €92,616,412.21 as of December 31, 2007.

### **Accumulated deficit**

For the period under review, AdLINK AG posted a net income of €29,537k.

After consideration of the loss carried forward from fiscal year 2006 amounting to €91,731k the accumulated deficit totaled €62.194k in fiscal year 2007.

### **Other provisions**

	Dec. 31, 2007 <u>€k</u>	Dec. 31, 2006 <u>€k</u>
Tax provisions	1,468	587
Other provisions	<u>1,587</u>	<u>1,276</u>
	<u>3,055</u>	<u>1,863</u>

Other provisions consist of provisions for outstanding incoming invoices (€777k; prior year: €901k), provisions for auditing and legal costs (€222k; prior year: €98k) and personnel-related provisions, such as bonuses, commissions and outstanding holidays (€588k; prior year: €278k).

## Liabilities

The classification and maturities of the liabilities are shown in the following table:

### Liabilities in €k

Liability type	Dec. 31, 2007			Dec. 31, 2006		
	Due		Total	Due		Total
	up to 1 year	1 to 5 years		up to 1 year	1 to 5 years	
1. Bonds, thereof convertible	16	30	46	101	99	200
2. Bank liabilities	163	0	163	15,000	0	15,000
3. Trade payables	5,047	0	5,047	3,294	0	3,294
4. Liabilities due to affiliated companies	86,220	0	86,220	63,776	0	63,776
5. Other liabilities	228	0	228	187	0	187
- thereof for tax	226	0	226	168	0	168
- thereof for social security	2	0	2	2	0	2

The bonds concern convertible bonds granted to executives of the AdLINK Group as part of the employee stock ownership plan.

AdLINK AG issued no convertible bonds to employees of the AdLINK Group in fiscal year 2007.

Convertible bonds issued as part of the employee stock ownership plan of AdLINK AG in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004 entitle the bearer to convert each nominal amount of €1 into a no-par value registered share in AdLINK AG having a theoretical share in the capital stock of €1. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to the arithmetic mean of the share price of AdLINK Internet Media AG in the last five trading days before the convertible bonds are issued, plus a premium of 20%. The issue date is the day on which the Management Board resolves to issue the convertible bond.

Up to 25% of the convertible bonds issued as part of the employee stock ownership plan of AdLINK AG in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004 may be converted at the earliest 24 months after the date of issue; up to 50% at the earliest 36 months after the date of issue. A total of up 75% may be exercised at the earliest 48 months after the date of issue; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were issued on May 16, 2002, the result being €1.5 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 102.8%
- Expected term: 4 years
- Risk-free interest: 3.64%

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were issued on January 2, 2004, the result being €1.23 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 88.0%
- Expected term: 4 years
- Risk-free interest: 3.85%

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were approved on April 8, 2005 (“5<sup>th</sup> tranche”), the result being €0.91 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 68.0%
- Expected term: 5 years
- Risk-free interest: 3.50%

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were approved on May 23, 2005 (“6<sup>th</sup> tranche”), the result being €1.71 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 68.0%
- Expected term: 5 years
- Risk-free interest: 3.50%

### **Virtual stock options**

With a resolution adopted on August 1, 2007, the Management Board of AdLINK Internet Media AG implemented a new employee stock ownership.

The new employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of AdLINK Internet Media AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company’s share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company’s

share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of AdLINK Internet Media AG. However, it is not a share right and thus not a (genuine) option to acquire shares of AdLINK Internet Media AG. AdLINK Internet Media AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring AdLINK Internet Media AG shares from its stock of treasury shares to the beneficiary at the strike price.

In the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the Company is legally forbidden to issue shares), or cash settlement was common business practice or the declared Company guideline in the past, or the Company generally settles in cash if the beneficiary so desires.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, the first tranche was issued to senior managers of the AdLINK Group. The resolution comprises a volume of up to 230,000 virtual stock options at an issuance price of €15.51 (Tranche A).

With a resolution of November 28, 2007 and approval of the Supervisory Board, the second tranche was issued to the Management Board member Andreas Janssen. The tranche issued comprises a volume of 200,000 at an issuance price of €17.41 (Tranche B).

The fair values were calculated using a binominal model and amounted to €863k for Tranche A and €723k for Tranche B, resulting in an average market price of €3.75 and €3.61 per virtual option. The following assumptions were made:

## Tranche A

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 52.00%
- Expected term: 5 years
- Risk-free interest: 4.01%

## Tranche B

- Dividend yield: 0.0%
- Volatility of the AdLINK share: 55.00%
- Expected term: 5 years
- Risk-free interest: 3.86%

Liabilities of AdLINK AG to affiliated companies result mainly from the cash pool with United Internet AG in the amount of €51,044k plus interest of €472k, as well as from AdLINK's internal cash pool. We refer to the notes on cash and cash equivalents.

## Other financial obligations

In addition commitments, other financial obligations amount to €3,020k (of which to affiliated companies €194k). These obligations include the following items:

Type of other financial obligation in €k	Due			Total
	up to 1 year	1 to 5 years	over 5 years	
1. DART services	2,820	0	0	2,820
2. Payment obligations from lease agreements	131	63	0	194
3. Payment obligations from vehicle leasing agreements	4	2	0	6
	<u>2,955</u>	<u>65</u>	<u>0</u>	<u>3,020</u>

On January 22, 2002 AdLINK AG concluded a general agreement over 10 years with DoubleClick International TechSolutions Ltd., Dublin/Republic of Ireland, for the provision of DART services to publishers. In December 2006, an amendment was made to the terms and conditions of the general agreement for the fiscal years 2007 and 2008. The resulting minimum contractual obligation amounts to €2,340k for the year 2008. The contractual terms will be renegotiated following this two-year period. In fiscal year 2007 there were costs of €2,395k resulting from this agreement. Effective January 1, 2008 AdLINK AG also concluded the additional contract DART for Publisher DART Adapt with DoubleClick International TechSolutions Ltd., resulting in a minimum contractual obligation of €480k for fiscal year 2008. As the general agreement does not include guaranteed payments and thus no direct financial obligations arise from the general agreement, only the agreed financial obligation for fiscal year 2008 was considered. Premature termination of the general agreement, however, would lead to a maximum compensation payment of €2,225k.

There is a rental agreement between AdLINK AG and United Internet AG concerning offices at the Company's headquarters in Montabaur. The lease runs until June 30, 2009. The future financial obligations arising from this lease amount in total to €194k.

## **Notes to the income statement**

### **Sales revenue**

Sales revenue of €20,186k was generated within the Group. This figure comprises services provided by AdLINK AG for its subsidiaries, as well as cost allocations for campaign invoices settled by AdLINK AG. Sales to third parties amounting to €1,761k resulted mainly from international advertising campaigns for a customer, which were processed by AdLINK AG.

### **Other operating income**

Other operating income of €5,738k results mainly from the restatement of investments in affiliated companies (€5,394k; prior year: €2,540k) and income from foreign exchange valuations (€281k; prior year: €214k).

### **Income from investments and profit transfer agreements**

Income from investments and profit transfer agreements of €29,842k results from the profit transfer of AdLINK GmbH to AdLINK AG totaling €11,453k, as well as from the assumption of losses of affilinet GmbH by the Company amounting to €1,645k and the receipt of dividend payments amounting to €1,410k. This item also includes income from the disposal of shares in AdLINK Switzerland (€17,352k) and in AdLINK Austria (€1,238k), which were exchanged for shares in Goldbach Media AG.

### **Other operating expenses**

Other operating expenses of €3,056k (prior year: €2,243k) result mainly from third-party IT services (€452k; prior year: €318k), legal, consulting and auditing costs (€324k; prior year: €252k), currency losses (€503k; prior year: €209k) and marketing expenses (€488k; €230k).

## **Other disclosures**

### **Management Board**

As of December 31, 2007, the Management Board consisted of three members: Andreas Janssen, Stéphane Cordier and Marc Stilke. Mr. Guy Challen (CFO), retired from the Management Board on April 31, 2007. The position of CFO has been held by Mr. Andreas Janssen since May 1, 2007.

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of AdLINK Internet Media AG is performance-oriented and consists of fixed and variable elements.

The fixed element is paid monthly as a salary. The size of the variable element is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and related to the budget.

Total remuneration paid to the members of the Management Board for fiscal year 2007 amounted to €804k (prior year: €748k). Of this total, the fixed sums amounted to €532k (prior year: €443k) and the variable sums to €272k (prior year: €305k). The remuneration in fiscal year 2007 paid to Mr. Stéphane Cordier amounted to €338 (prior year: €314k), of which €194k (prior year: €149k) was fixed and €144k (prior year: €165k) variable. In the case of Mr. Andreas Janssen, the total remuneration of €146k consisted of a fixed element of €120k and a variable element of €26k. Mr. Stilke received total remuneration of €255k (prior year: €269k), of which €180k (prior year: €180k) was fixed and €75k (prior year: €89k) variable.

Mr. Andreas Janssen also received 200,000 SARs as part of a Stock Appreciation Rights (SARs) agreement at an exercise price of €17.41.

In the case of Mr. Guy Challen, (CFO until April 30, 2007) remuneration in fiscal year 2007 amounted to €65k (prior year: €165k), consisting of a fixed element of €38k (prior year: €114k) and a variable element of €27k (prior year: €51k).

Mr. Guy Challen also exercised a total of 85,000 conversion rights from the convertible bond program, in accordance with a resolution of the Annual Shareholders' Meeting of April 4, 2000. At the time of issue, there was a fair value of €1.23 per conversion option.

## **Supervisory Board**

As of December 31, 2007 the Supervisory Board of AdLINK AG consisted of:

Norbert Lang, member of the Management Board of United Internet AG

Michael Scheeren, qualified banker,

Andreas Gauger, member of the Management Board of 1&1 Internet AG

The Chairman of the Supervisory Board, Mr Michael Scheeren, was also a member of the supervisory boards of United Internet AG, Montabaur, United Internet Media AG, Montabaur, 1&1 Internet AG, Montabaur (Chairman), Goldbach Media AG, Künsnacht (since May 21, 2007) and NT plus AG, Osnabrück (Chairman until December 27, 2007). Mr Norbert Lang was a member of the supervisory board of twenty4help Knowledge Service AG, Montabaur, until March 12, 2007 and is a member of the supervisory board of United Internet Media AG, Montabaur. Mr Andreas Gauger does not hold seats on other supervisory boards.

For the fiscal year 2007, the members of the Supervisory Board will receive remuneration totaling €20k (prior year: €20k).

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 17, 2005, Supervisory Board remuneration comprises the following components. Each member of the Supervisory Board receives a fixed amount of €7,500.00 per year. The chairman of the Supervisory Board receives twice this amount. In addition to this fixed amount, each Supervisory Board member (including the chairman) receives a variable amount based on the Company's performance. The variable amount is €250.00 for every €0.01 of earnings per share, as disclosed in the Company's consolidated financial statements, which exceeds a minimum amount of €0.10 per share. The minimum amount increases annually by 10%, beginning in fiscal year 2007, i.e. the minimum amount of earnings per share amounts to €0.12 per share. The variable remuneration element is limited to €5k per Supervisory Board member.

In an agreement with the Supervisory Board members, it is company policy not to provide remuneration for supervisory board seats within the Group.

## Shareholdings and subscription rights of AdLINK Management Board and Supervisory Board

	Shareholdings (in units)		Subscription rights (in units)	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Supervisory Board</b>				
Michael Scheeren	72,656	72,656	0	0
Norbert Lang (indirect)	30,850	30,850	0	0
Andreas Gauger	1,000	1,000	0	0
<b>Management Board</b>				
Guy Challen (CFO till May, 2007)				136,000
Stéphane Cordier			400,000	400,000
Marc Stilke			300,000	400,000
<b>Total</b>	<b>104,506</b>	<b>104,506</b>	<b>700,000</b>	<b>936,000</b>

## Employees

In the past fiscal year, there was an annual average of 33 (prior year: 22) full-time employees.

The average number of employees over the year is divided as follows:

Board	3
Product Management and Marketing	13
Sales	1
Administration	15
IT	9
	<hr/>
Apprentices	41
	<hr/>
	44
	<hr/> <hr/>

## **Amendments to Company articles**

As part of the change in the Company's legal form, from AdLINK Internet Media GmbH Europe to AdLINK Internet Media AG, articles were adopted which were last amended by the Annual Shareholders' Meeting of May 29, 2007.

The following paragraphs were amended in the articles of AdLINK Internet Media AG:

<b>Amended paragraphs</b>	<b>Heading</b>
Sec. 15 (3)	Venue and convening, image and sound transmission (convening of Annual Shareholders' Meeting)
Sec. 5.5	Conditional capital
Sec. 5 (7)	Commencement of profit entitlement in the case of capital increases
Sec. 12 (3)	Authorities and resolutions

As part of the Transparency Directive Implementation Act (TranspUG), which came into power January 20, 2007, the possibilities to submit information to shareholders by means of remote data transmission were anchored in the articles. The following Sentence 2 was therefore added to Section 15 (3) of the articles:

“The Company may submit information about the Company, and especially regarding the Annual Shareholders' Meeting, to registered bearers of share certificates by means of remote data transmission with their permission.”

Due to the expiry of conversion possibilities for convertible bonds, Sec. 5.5 of the articles was amended as follows:

- a) Conditional Capital II./2000 amounting to €8,000.00 EUR, created with a resolution of the Annual Shareholders' Meeting of April 4, 2000, is deleted with future effect.
- b) Sec. 5.5 No. II Conditional Capital II./2000 of the articles is fully deleted.

Sec. 5 (7) of the articles was deleted and newly formulated as follows:

“In the case of an increase in capital stock, the commencement of profit entitlement for the new shares may be set differently to the time when the contribution was made.”

Sec. 12 (3) of the articles was deleted without replacement.

The amendments were entered in the commercial register on July 4, 2007.

## **Group relations**

- In accordance with Sec. 315a HGB, AdLINK Internet Media AG prepared consolidated annual financial statements for the fiscal year 2007 according to the IFRS of the International Accounting Standards Board (“IASB”).
- These consolidated annual financial statements are in turn included in the consolidated annual financial statements of United Internet AG, Montabaur, as the highest group company, which are also available from the head office of AdLINK AG, Montabaur.

## **Appropriation of profit**

In agreement with the Supervisory Board, the Management Board proposes to carry forward the accumulated loss amounting to €62,194k.

## **Auditing and consulting expenses**

In fiscal year 2007, auditing fees of €266k (prior year: €280k) were expensed on the level of AdLINK AG. These include auditing fees of €220k (prior year: €187k), tax consultancy services of €39k (prior year: €85k) and other services of €7k (prior year: €8k).

## **Disclosure obligations acc. to Sec. 160 (1) No. 8 AktG**

In accordance with Sec. 21 (1) WpHG, the company United Internet Beteiligungen GmbH, Elgendorfer Strasse 57, 56410 Montabaur, informed us as of November 26, 2007, that its shareholding as of November 23, 2007 exceeded the reporting thresholds of 3%, 5%, 10%, 15% and 20% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the aforementioned date, United Internet Beteiligungen GmbH held 20.68% of our capital stock (5,407,500 voting rights).

## **Corporate Governance Code declaration acc. to Sec. 161 AktG**

AdLINK AG submitted the statutory declaration for 2007 pursuant to Sec. 161 AktG, which conformed with the recommendations of the “Government Commission German Corporate Governance Code”, as will it in future. The declaration was made available to shareholders.

### **Subsequent events**

There were no events subsequent to the balance sheet date which might have a significantly adverse impact on the business activities of AdLINK AG.

Montabaur, March 10, 2007

The Management Board

Andreas Janssen

Stéphane Cordier

Marc Stilke

## AUDITORS' REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of AdLINK Internet Media AG, Montabaur, for the fiscal year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the "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 annual financial statements in accordance with German principles of proper accounting and in the 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 books and records, the annual financial statements and the 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 annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 11, 2008

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Bösser  
Wirtschaftsprüfer

Grote  
Wirtschaftsprüfer

## **RESPONSIBILITY STATEMENT**

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of AdLINK Internet Media AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Montabaur, March 10, 2008

Board of Management

Stéphane Cordier    Andreas Janssen    Marc Stilke