

# **AdLINK GROUP**

**AdLINK Internet Media AG,**

**Montabaur**

**Management Report of  
the Company and the Group**

**Consolidated Financial Statements  
acc. to IFRS**

**Parent Company Financial Statements  
acc. to HGB**

**of the Management Board  
for fiscal year 2009**

**Management Report  
of the Company  
and the Group**

# **AdLINK Internet Media AG**

## **Management report for the Company and the Group**

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AdLINK Internet Media AG (AdLINK Group) is one of Europe's leading suppliers of performance-based online marketing solutions. In its operating business, the AdLINK Group is represented by the brands affilinet in the field of Affiliate Marketing, and by Sedo and GreatDomains in the Domain Marketing sector. The company's business divisions operate via their offices in five European countries and the USA.

## **1. ECONOMIC ENVIRONMENT**

### **Massive decline in global and national economies**

As a result of the severe financial crisis which already took hold in the world's leading economies in 2007, the global economy was plunged into a deep recession at the beginning of 2009. In its "World Economic Outlook Update" report published in late January 2009, the International Monetary Fund (IMF) forecast a fall in global economic output of 0.8% for 2009. Both the global financial sector and the real economy were able to recover in the second half of 2009. This was largely the result of political decisions taken to alleviate the depression. Fiscal policy measures and the reduction of interest payable on loans had the desired effect of stabilizing the global and national economies. In the meantime, the IMF expects the global economy to recover faster than forecast in its last World Economic Outlook.

In the European Union (EU), the economy needed until the third quarter of 2009 to pull out of recession. In mid February, the European statistics agency Eurostat announced that the EU's gross domestic product (GDP) grew by 0.3% in the third quarter. In the fourth quarter of 2009, however, quarter-on-quarter growth reached just 0.1%. The effects of the financial and economic crisis are particularly noticeable when compared with the previous year. Compared with the same quarter in 2008, GDP fell by 4.3% in the third quarter of 2009 and by 2.3% in the fourth quarter. In the crisis year 2009 as a whole, GDP of the European Union shrank by 4.1%.

The German economy also suffered a sharp decline in 2009. Despite a gradual return to stability in the second half of the year, greatly reduced exports led to an overall fall in GDP of 5.0%, according to a report published by the Federal Statistics Agency (Destatis) in mid January 2010. In the previous year, there had been growth of 1.3%. Destatis believes that the decline in exports and investments of 14.7% was largely responsible for the severe recession. As an exporting nation, Germany was hit particularly hard by the economic crisis, in comparison to other countries. Consumer spending in Germany, however, grew by 0.4% in 2009 as prices remained virtually constant and the government's car scrappage scheme helped drive consumption in the auto sector.

### **Global online advertising market**

The financial crisis also led to a global decline in total advertising spending in 2009. In the latest issue of its survey “Advertising Expenditure Forecast” published in December 2009, the media agency group ZenithOptimedia estimates that global decline reached 10.2%. Classic advertising media were hit the hardest. In contrast, the internet continued to make good progress and was the only medium to register a global increase in advertising spend in 2009 (+9.5%).

The pan-European sector association for media companies, the European Interactive Advertising Association (EIAA), announced in its “Marketers’ Internet Ad Barometer” survey of mid November 2009, that Europe’s advertisers were turning increasingly to online marketing and investing more in this medium during the crisis. 83% of European advertisers questioned claimed to have increased their online advertising spend in 2009. The figure in Germany was as high as 91%. For 31% of European advertising executives interviewed, the cost efficiency of online advertising played a decisive role in times of economic crisis. 36% of companies had increased their online advertising spend in order to benefit from more efficient target group marketing during the crisis.

The Online Marketing Group (Online-Vermarkterkreis – OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft – BVDW) comes to similar figures for Germany. According to its “OVK Online-Report 2010/01”, the German online advertising market achieved 12% growth in gross advertising volume in 2009 (EUR 4.1 billion) and thus succeeded in raising its share of total advertising spend to 16.5%. This illustrates that ever more budgets are being transferred to the online sector – thanks also to its greater transparency, measurability and flexibility. Despite this positive development, actual revenues received by online marketing companies will probably be much lower. Both ZenithOptimedia and the OVK only register gross spendings based on official price lists. Discounts and rebates on these list prices as a result of fierce competition and excess supply of advertising space grew significantly again in 2009, but are not considered by market surveys and forecasts.

### **The markets of the AdLINK Group**

The AdLINK Group is active via affilinet in Germany, France, Spain, the UK and the Netherlands. Sedo serves the global domain market in more than 21 languages via its offices in Germany, the UK and the USA. In its Online Report 2010/01, the OVK calculates that affiliate marketing generated gross advertising spend of EUR 308 million in Germany in 2009. This would represent growth of 15% compared with EUR 268 million in the previous year. Growth of 10% to EUR 339 million is forecast for affiliate marketing in the coming year. In a domain market survey of 2009 prepared by Sedo on the basis of its own sales figures, domain sales are reported to have grown from EUR 53.1 million in 2008 to EUR 54.7 million (+3.0%) in 2009.

## **2. BUSINESS DEVELOPMENT**

### **Realignment**

On July 6, 2009, AdLINK Internet Media AG signed an agreement with Hi-media S.A. to transfer its Display Marketing business to the Hi-media Group. In return, AdLINK Internet Media AG received a 10.7% stake in Hi-media S.A. (4,735,000 shares) and a cash component. In the case of this cash component of EUR 12.2 million, AdLINK Internet Media AG granted Hi-media a vendor loan at a standard market interest rate which is due no later than June 30, 2011. The transfer of the business segment was closed on August 31, 2009. As a result of the sale of the Display Marketing segment, the results of this segment are disclosed as separate items in the statement of comprehensive income in accordance with IFRS 5. Prior-year figures have been adjusted accordingly. Classification as a discontinued

operation was made on the date of the contract conclusion. The results of the units sold are included in the result of the discontinued operation until the date of sale (August 31, 2009).

On September 29, 2009, the Management Board and Supervisory Board decided to sell the company's investments in the Display Marketing suppliers Hi-media and Goldbach Media to United Internet. The total purchase price of EUR 45.1 million was received on September 30, 2009 and has been used to reduce financial liabilities. AdLINK Internet Media AG made a total profit of EUR 12.7 million on the sale, which is contained in other operating income in the statement of comprehensive income.

Following the sale of its Display Marketing business, the AdLINK Group's operating business now focuses on its performance-based segments Affiliate and Domain Marketing, with the brands affilinet and Sedo.

### **Increase in net income**

The continuing pressure on prices in the online marketing sector and the resulting fall in net sales left their mark on the AdLINK Group's operating business. Compared with adjusted figures for the previous year, sales in fiscal year 2009 fell from EUR 143.0 million to EUR 135.3 million (-5.4%). Falling sales volumes, fierce competition for remaining budgets, and strong pressure on prices and margins were felt by both the Affiliate and Domain Marketing segments in fiscal year 2009.

The result from continued operations, however, improved by 245.7% from EUR -10.5 million in the previous year to EUR 15.3 million (including non-recurring sales proceeds). The main cause for this trend were positive effects from the sale of shares in Hi-media and Goldbach Media, as well as the negative one-off effects of the previous year. Including the result from discontinued operations, net income grew by 361.9% from EUR -13.9 million to EUR 36.4 million. This figure includes the positive effects from the sale of Display Marketing activities.

### **Employees**

On December 31, 2009 the AdLINK Group employed 318 people. The number of employees without the sold Display Marketing business in the previous year amounted to 332. At year-end 2009, 222 were employed in Germany and 96 outside Germany. The adjusted prior-year figures amount to 238 employees in Germany and 94 abroad. Including the Display Marketing business, the AdLINK Group employed 510 people as of December 31, 2008. Of this total, 274 were employed in Germany and 236 outside Germany. 133 people are employed in the Affiliate Marketing segment (prior year: 117) and 155 in Domain Marketing (prior year: 179). The parent company AdLINK Internet Media AG employs 30 people, compared with 36 in the previous year. The decrease in headcount results from the sale of the Display Marketing business and the falling number of staff in Domain Marketing. Due in part to increased sales employees, personnel expenses grew from EUR 16.7 million in the previous year to EUR 17.9 million (+7.2%).

### **Segment development**

The AdLINK Group divides its business into the business segments Affiliate Marketing and Domain Marketing:

#### **Affiliate Marketing**

affilinet is the specialist for Affiliate Marketing within the AdLINK Group. With offices in Germany, France, the UK, the Netherlands and Spain, affilinet operates one of Europe's leading affiliate networks.

With its performance marketing solutions, the platform offers online advertisers (advertisers) an effective digital sales channel and its registered sales partners (publishers) attractive earning opportunities. The portfolio of services offered by affilinet comprises the three main

pillars “Performance Network” – network and services for affiliate programs, “Performance Media” – performance-based media services and “Performance Technology” – technical solutions for efficient online marketing.

In the Affiliate Marketing segment, we generated sales of EUR 88.1 million in fiscal year 2009, compared to EUR 88.4 million in the previous year (-0.3%). Nevertheless, we succeeded in expanding the range of our network in comparison to the previous year. The number of participating websites rose from 470,077 to 495,458 (+5.4%). The number of affiliate programs grew by 19.7%, from 1,538 in 2008 to 1,841 in 2009. Ad impressions generated per month via the network were increased by 101.6% from 6.1 billion in the previous year to 12.3 billion. As of December 31, 2009, a total of 133 people were employed in the Affiliate Marketing segment (prior year: 117).

### **Product highlights Affiliate Marketing**

In March 2009 affilinet introduced a highly efficient voucher tool for its advertisers and publishers aimed at raising their program success and commissions. Advertisers can easily produce vouchers and provide these to their publishers. The targeted use of voucher campaigns can provide consumers with an additional incentive to buy and thus raise product sales. The major benefits of the new service include its ease of handling and high level of efficiency.

As of late May 2009, affilinet offers its top publishers the new service concept: “affilinet@home”. A specially composed team of affilinet specialists from the fields of Publisher Development, Technology, Product Management and Key Account Management visits selected partners to provide on-site advice. In the course of the intensive two-day workshops, publishers can discuss individual wishes and problems directly with affilinet’s experts. Topics may include how to optimize specific content sites or integrate new applications and technologies. With this new service, affilinet aims to provide targeted support for its publishers, enabling them to optimize their business and achieve sustained success in their affiliate marketing sales.

In July 2009, affilinet signed the BVDW’s extended code of conduct and thus underlined its commitment to standardized work practices in the field of Performance and Affiliate Marketing. This extension to the association’s code of conduct sets strict regulations for the performance-based control of display advertising in order to prevent abuse.

affilinet launched a further innovative new product in July 2009 which supports publishers in their search for affiliate programs. With the aid of search criteria, filter options and other relevant information, publishers can now easily select programs which meet their specific needs and match their business model. They are only shown a selection of the most relevant programs. The search function continues to boast a high level of user friendliness and a wide range of features.

As of late August 2009, advertisers and agencies have been offered key statistical data via an automatic access service. This web service enables fast, informative and tailored analysis according to individual requirements. The new service ensures much more efficient Performance Marketing through the unhindered exchange of data between affilinet’s database and the advertiser’s or agency’s in-house application.

At the dmexco fair in September 2009, affilinet presented the new structure of its product portfolio: the “Performance Network”, “Performance Media” and “Performance Technology” ranges. The Performance Network comprises products in the field of classic affiliate program management. With its Performance Media range, affilinet has bundled all its campaign business services. Performance Technology includes software solutions for advertisers, agencies and publishers. With the aid of extensive interfaces, affilinet has laid the foundation for the development of new tools for Performance Marketing. This has led to the creation of

an extensive application store for Performance Marketing applications via affilinet's developer portal.

The information portal for publishers "affilinet inside" was launched in November 2009. affilinet can thus offer its sales partners a further effective and service-oriented offer which rounds out its wide range of publisher communication instruments. At [www.affilinet-inside.de](http://www.affilinet-inside.de), affilinet regularly provides its publishers with clear information all relevant topics and dates. The portal is divided into the core areas Product News, Program News and Specials, as well as important sector events and dates. There is also a section with expert tips and an overview of relevant blogs. The information portal will be continually expanded, whereby the content is tailored to the specific needs of affilinet's sales partners.

### **Domain Marketing**

Sedo is the specialist for Domain Marketing within the AdLINK Group. With offices in Germany, the UK and the USA, as well as numerous international websites, Sedo operates around the world in over 21 languages.

Sedo is the leading market place for domain trading. Sedo is also one of the leading companies in the performance-based field of domain parking, in which Sedo markets advertising space on its own or third-party domains. The company's services also include domain brokerage, domain transfer and domain appraisal.

Sales in the Domain Marketing segment continued to fall in fiscal year 2009. Compared with the same period in 2008, sales fell by 14.8% from EUR 54.7 million to EUR 46.6 million. Following a quality and efficiency campaign carried out by Sedo in the first half of 2009, the number of domains traded via Sedo fell from 15,321,402 in the previous year to 15,141,273 (-1.2%). As of December 31, 2009, a total of 6,858,783 domains were available for marketing purposes, compared to 6,208,124 in the previous year (+10.5%). The number of registered members grew by 10.3%, from 907,457 in the previous year to 1,000,626. On December 31, 2009, the number of people employed in Domain Marketing amounted to 155 (prior year: 179).

In line with the company's focus on the performance-based business models Performance and Domain Marketing, the Management Board and Supervisory Board decided in September to acquire the remaining 24.06% of shares in Sedo GmbH. The purchase price of EUR 19.1 million was settled with 4.25 million newly created AdLINK shares at a price of EUR 3.20 per share and EUR 5.5 million in cash. The assignment of the shares was conditional on the registration of the completed capital increase in the Commercial Register and payment of the cash component. Both these conditions were fulfilled in November 2009.

### **Product highlights Domain Marketing**

In late February, Sedo acquired the business of US domain parking provider RevenueDirect and thus significantly expanded its share of the North American market. Sedo expects its alliance with Dotster – agreed at the same time – to offer further strategic benefits with regard to its market position, while Dotster's customers will benefit from Sedo's domain valuation, marketing and sales possibilities.

In late August, Sedo launched a free-to-use assessment tool on the global market with which domain owners can receive an automated sales price proposal for their domains which is close to current market valuations. The proposed price can subsequently be accepted as a fixed price offer. The automated proposals are based on Sedo's price database – making them both objective and particularly close to actual market conditions.

In December 2009, the domain registrar united-domains AG integrated the Sedo tool "SedoMLS". MLS stands for Multi Listing Service and enables sellers to offer fixed price domains also on registrar websites. The move creates an additional sales channel for Sedo

and makes domain trading easier and more effective. Buyers can purchase domains directly from a registrar, while the actual sales process is handled in the background via Sedo.

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

In late September 2009, the company received EUR 45.1 million from the sale of its investments in the Display Marketing suppliers Hi-media and Goldbach Media to United Internet. The sales proceeds were used to reduce financial liabilities. AdLINK Internet Media AG made a total non-recurring profit of EUR 12.7 million on the sale.

The business development of the AdLINK Group failed to meet our expectations in 2009. This was due to the effects of the economic crisis and the resulting slump in advertising which in turn led to increased pressure on margins in the advertising sector.

#### **Development of sales and earnings**

Continued operations generated sales of EUR 135.3 million in fiscal year 2009. This corresponded to a decline in sales of 5.4% in 2009 (sales 2008: EUR 143.0 million). Gross profit fell to EUR 28.2 million, compared to EUR 31.5 million in the previous year (-10.5%). As a result gross margin decreased to 20.8% (prior year: 22.1%). The reason for this fall was increased pressure on prices in 2009 compared to 2008 and a change in the sales mix. The latter was caused by the deconsolidation of the Display Marketing business. Affiliate Marketing accounted for 65.3% and Domain Marketing for 34.5% of sales. Segment sales in Affiliate Marketing amounted to EUR 88.4 million, compared to EUR 89.0 million in the previous year (-0.7%). The loss of our largest customer in the fourth quarter of 2009 had a negative impact on sales. The cost of sales in this segment was reduced compared to the previous year, from EUR 73.2 million to EUR 72.0 million (-1.6%). The Domain Marketing segment suffered a fall in sales from EUR 54.7 million in 2008 to EUR 46.7 million in 2009 (-14.6%). Cost of sales, however, fell by only 13.7%, from EUR 32.1 million in the previous year to EUR 27.7 million in 2009. The fall in sales of Domain Marketing was due to falling prices in domain trading and a more difficult marketing situation in domain parking.

There was a year-on-year increase in selling expenses of 7.0%, from EUR 7.1 million to EUR 7.6 million. This was largely due to higher personnel expenses in Affiliate Marketing in connection with the geographic expansion of this business. General and administrative expenses, however, fell 4.5% from EUR 13.2 million in the previous year to EUR 12.6 million in 2009. Other operating expenses were down 6.0% on the previous year – from EUR 5.0 million in 2008 to EUR 4.7 million in 2009. Currency losses of EUR 3.6 million contained in this figure, however, remained stable compared to the previous year (EUR 3.6 million). As a result of the sale of shares in Hi-media and Goldbach Media to United Internet, other operating income increased from EUR 3.5 million to EUR 18.7 million (+434.3%). The income from the sale amounted to EUR 12.7 million. Currency gains contained in this figure also rose by 50.0% from EUR 2.6 million in 2008 to EUR 3.9 million in 2009. The operating result amounted to EUR 20.1 million in 2009 compared to EUR 1.7 million in 2008. The prior-year operating result includes goodwill writedowns of EUR 6.4 million (none in 2009).

Earnings before interest, taxes, depreciation and amortization, and writedowns on domains (adjusted EBITDA) rose by 105.9%, from EUR 11.9 million in 2008 to EUR 24.5 million.

Interest and similar expenses in 2009 amounted to EUR 1.1 million, compared to EUR 2.4 million in the previous year (-54.2%). The reduced interest burden resulted mainly from the repayment of loans from affiliated companies. Interest and similar income remained stable compared to the previous year. The negative other financial result of the previous year amounting to EUR -7.1 million, due to the writedown on shares of Goldbach Media, contrasts with a positive figure of EUR 0.3 million in 2009. Earnings before taxes (EBT) increased to EUR 19.3 million. The comparable prior-year figure amounted to EUR -7.7 million (+350.6%).

Due to the positive pre-tax result compared with 2008, income taxes rose from EUR 2.8 million to EUR 4.0 million (+42.9%). The result from continued operations amounted to EUR 15.3 million in 2009 (including the non-recurring income of EUR 12.7 million), compared to EUR -10.5 million (+245.7%) in 2008 (including writedowns on investments and goodwill totaling EUR 14.4 million). The result from discontinued operations amounted to EUR 21.1 million in 2009 (2008: EUR -3.4 million) and resulted mainly from the profit made on the sale of the Display Marketing segment to the Hi-media Group, amounting to EUR 22.1 million. Net income improved from EUR -13.9 million in 2008 to EUR 36.4 million in 2009 (+361.9%). Undiluted earnings per share (EPS) from continued operations amounted to EUR 0.57 in the period under review, compared to EUR -0.40 in the previous year (+242.5%).

The development of earnings is heavily influenced by the sale of the Display Marketing segment to Hi-media S.A. In fiscal year 2008, on the other hand, there were negative effects on the income statement from adjustments to the carrying value of shares in Goldbach Media AG and goodwill writedowns in Display and Affiliate Marketing.

### **Fall in operative cash flow**

Operative cash flow from continued operations fell from EUR 8.4 million to EUR 6.8 million in fiscal year 2009 (-19.0%). The main reason for this decline was the reduced result from operating activities before income from the sale of shares in Hi-media and Goldbach Media.

Cash flow from operating activities in our continued operations increased however by 492.9%, from EUR 1.4 million to EUR 8.3 million. This is due above all to the reduction of the balance from trade receivables and payables and the increase in accrued taxes, compared to a strong decrease in the previous year.

Cash flow from investing activities was strongly influenced by the sale of shares in Hi-media and Goldbach Media to United Internet. These sales resulted in proceeds for the Group of EUR 45.1 million. However, there were payments for the purchase of the remaining shares in Sedo GmbH amounting to EUR 5.5 million. All in all, cash flow from investing activities of continued operations increased from EUR -0.7 million in the previous year to EUR 38.5 million in 2009.

The negative cash flow from financing activities increased from EUR -6.4 million in the previous year to EUR -43.8 million in the period under review, as the above mentioned proceeds were used to reduce financial liabilities due to affiliated companies and banks.

### **Balance sheet development**

Current assets amounted to EUR 64.4 million in the previous year and were reduced to EUR 28.6 million (-55.6%) in fiscal year 2009. The decrease resulted above all from the decline in trade accounts receivable of 72.3%, from EUR 42.3 million to EUR 11.7 million, as well as the fall in cash and cash equivalents from EUR 12.0 million in 2008 to EUR 6.5 million (-45.8%). The decrease in receivables is due to the sale of the Display Marketing business. Liquid funds were used to repay some of the company's financial liabilities. Inventories, which consist of a trading stock of purchased domains, increased by 27.3%, from EUR 4.4 million to EUR 5.6 million.

Non-current assets amounted to EUR 94.4 million as of December 31, 2009, compared to EUR 86.3 million at the end of 2008 (+9.4%). Goodwill increased by 17.4%, from EUR 64.4 million in the previous year to EUR 75.6 million. This was mainly due to the purchase of the minority shares in Sedo GmbH amounting to EUR 14.8 million. Intangible assets, however, decreased from EUR 4.9 million to EUR 3.0 million (-38.8%), mainly as a result of disposals in connection with the sale of the Display Marketing business.

Current liabilities were reduced by 69.9% from EUR 102.9 million as of December 31, 2008 to EUR 31.0 million at the end of 2009. As a result of the sale of the Display Marketing segment, trade accounts payable fell by 63.9% from EUR 47.4 million to EUR 17.1 million. Accounts payable to affiliated companies, especially from financial liabilities due to United Internet AG, amounted to just EUR 0.2 million at the end of 2009 compared to EUR 30.3 million at year-end 2008. Liabilities to banks were reduced to EUR 1.4 million compared to EUR 15.1 million as at December 31, 2008. Following the sale of shares in Goldbach Media and Hi-media to United Internet Beteiligungen GmbH, we were able to almost completely pay off our financial liabilities. Other current liabilities totaled EUR 6.1 million at the end of 2009, compared to EUR 7.3 million at year-end 2008 (-16.4%). The decline result from less personnel expenses (holidays, bonuses) due to the sale of the Display Marketing business. Accrued taxes rose by 127.8%, from EUR 1.8 million in the previous year to EUR 4.1 million in 2009. This was due to the increase in taxable income. Other provisions increased from EUR 1.0 million in 2008 to EUR 2.2 million in 2009 (+120.0%) due to expected losses from current contracts amounting to EUR 1.5 million.

Non-current liabilities were reduced from EUR 1.7 million in 2008 to EUR 0.7 million at year-end 2009 (-58.8%). This was mainly the result of the complete liquidation of long-term liabilities from a guaranteed dividend to minority shareholders, which still amounted to EUR 0.7 million at the end of 2008. Due to the acquisition of the remaining Sedo GmbH shares (24.06%) the basis for the paying of a guarantee dividend omitted. This was fixed in the contract.

Equity increased from EUR 46.2 million to EUR 91.3 million as of December 31, 2009 (+97.6%). In November 2009, capital stock was raised by EUR 4,250,000, from EUR 26,205,890 to EUR 30,455,890, by means of a capital increase in return for non-cash contributions during the purchase of the remaining Sedo shares. The capital reserve increased by 14.5%, from EUR 65.0 million at year-end 2008 to EUR 74.4 million as of December 31, 2009.

The equity ratio rose from 30.7% in 2008 to 74.2% in 2009.

As of December 31, 2009 total assets amounted to EUR 123.0 million and were 18.4% below the prior-year figure (December 31, 2008: EUR 150.8 million). The decline is mainly due to the sale of the Display Marketing business, which led to a reduction in receivables and liabilities.

### **Annual financial statements of the parent company acc. to German Commercial Code (HGB)**

AdLINK Internet Media AG (AdLINK AG) is the parent company of the AdLINK Group.

In fiscal year 2009, the sales revenue of AdLINK AG amounted to EUR 10.7 million, compared to EUR 21.0 million (-49.0%) in 2008. Sales are generated from services which AdLINK AG provides for its subsidiaries, license agreements and the allocation of campaign costs. Costs for administrative services provided by AdLINK AG in the field of finance, legal affairs, human resources, marketing, management, IT, DART system administration and campaign management, as well as product development are allocated to the respective subsidiaries. In 2009, AdLINK AG received revenues from allocated direct costs (e.g. DART costs, IT services and travel expenses) amounting to EUR 4.5 million (prior year: EUR 12.4 million) (-63.7%). Further sales revenues resulted from international campaigns which are centrally billed or centrally purchased by AdLINK AG, as well as charges and costs allocated to operating subsidiaries and the Group's licensees. Allocated costs and services rendered in connection with central purchases for international campaigns resulted in revenues of EUR 3.2 million (prior year: EUR 4.6 million), corresponding to a fall of 30.4%. In addition, sales revenues from third parties totaled EUR 2.2 million, compared to EUR 2.1 million in the previous year. These revenues mainly result from an international advertising campaign

which was processed by AdLINK Internet Media AG. The decline in sales revenues is mainly due to the sale of the Display Marketing business. Sales of AdLINK Internet Media AG were mainly generated with the companies and the external customers of the Display Marketing business. Due to the sale of the Display Marketing sales and expenses will decline simultaneously. Following this trend we reduced the employees and the costs of AdLINK Internet Media AG.

Material expenses amounted to EUR 6.5 million in 2009 and thus decreased in line with sales by 58.9% from EUR 15.8 million in the previous year. Personnel expenses and depreciation correspond approximately to the prior-year figures. Other operating expenses, however, increased by 41.1% from EUR 5.6 million in 2008 to EUR 7.9 million. They mainly result from legal, consulting and auditing costs, provisions for losses from current contracts and currency losses. The increase of these expenditures mainly results from accrued losses from current contracts.

Income from investments of AdLINK AG totaled EUR 21.4 million in fiscal year 2009, compared to EUR 2.8 million in 2008 (+664.3%). The non-recurring income from the sale of the Display Marketing business to Hi-media S.A. amounting to EUR 15.2 million, from the sale of Hi-media shares (EUR 1.4 million) and Goldbach Media shares (EUR 3.4 million) to United Internet Beteiligungen GmbH account for the major share of this item. Income from profit transfer agreements increased by 378.8% compared to the previous year, from EUR 3.3 million in 2008 to EUR 15.8 million in 2009. An amount of EUR 15.8 million results from the profit transfer of Response Republic Beteiligungsgesellschaft Deutschland GmbH, which acts as an intermediary holding and has signed a profit transfer agreement with Sedo GmbH, and from affilinet GmbH. Dividend payments in 2009 amounted to EUR 1.4 million.

Income from the write-up of financial assets amounted to EUR 16.9 million in 2009 (prior year: EUR 0). It comprises the partial reversal in the carrying value of shares in affiliated companies which were sold to Hi-media S.A. (EUR 4.3 million), as well as from the partial reversal in the carrying value of loans granted to affiliated companies which were also sold at their nominal amount (EUR 4.7 million). Moreover, there was a partial reversal in the carrying value of shares in Goldbach Media AG (EUR 7.9 million). Writedowns on financial assets amounted to EUR 25.5 million in 2008 and resulted from the writedown of our investment in Goldbach Media AG. Writedowns on financial assets in the period under review amounted to EUR 0.5 million.

The result from ordinary activities amounted to EUR 46.7 million, compared to EUR -22.9 million in the previous year. Income taxes and other taxes totaled EUR 2.9 million in 2009 and EUR 2.3 million in 2008 (+26.1%). Net income increased by 273.8%, EUR -25.2 million in the previous year to EUR 43.8 million.

Due to the loss carryforward of EUR 87.4 million from the previous year, the accumulated deficit for the fiscal year 2009 amounts to EUR 43.6 million.

Compared to the previous year, total assets fell by 6.0% from EUR 125.5 million to EUR 118.0 million.

The non-current financial assets have not changed significant compared to December 31, 2008. The decrease in companies in which an investment is held results mainly from the disposal of companies sold to Hi-media S.A. and from the repayment of loans due to affiliated companies. The shares in affiliated companies rose due to the buying of the minority interests of Sedo GmbH. Non-current financial assets increase due to a vendor loan granted to Hi-media S.A. during the sale of the Display Marketing segment. Receivables from affiliated companies increased by EUR 3.7 million to EUR 10.7 million due to the sale of the Display Marketing business. Compared to the previous year, other assets increased by

130.8% from EUR 1.3 million to EUR 3.0 million. This was largely due to receivables due from the tax authority from business tax prepayments.

As a result of the capital increase for non-cash contribution in November 2009, capital stock increased by EUR 4,250,000, from EUR 26,205,890 to EUR 30,455,890. Capital reserves thereof rose from EUR 92.7 million in 2008 to EUR 102.1 million in 2009 (+10.1%). Total equity grew to EUR 89.0 million as of December 31, 2009 compared to EUR 31.5 million on the prior-year balance sheet date. This increase of 182.5% resulted mainly from a reduction in the accumulated loss.

As of December 31, 2009 the equity ratio reached 75.4%. In the previous year the ratio was 25.1%.

Accrued taxes increased from EUR 1.2 million in the previous year to EUR 3.9 million. This corresponds to an increase of 225.0% due to the increase of taxes from income. Other accrued liabilities increased by 123.5% from EUR 1.7 million in the previous year to EUR 3.8 million. This mainly results from deferred losses from current contracts.

Liabilities due to banks were reduced from EUR 15.0 million in the previous year to EUR 1.4 million in 2009. This corresponds to a decrease of 90.7%. Liabilities due to affiliated companies also fell strongly, from EUR 70.8 million at the end of 2008 to EUR 19.0 million at year-end 2009 (-73.2%). This fall was mainly due to the reduction of financial liabilities due to United Internet AG. Trade accounts payable mainly fell by EUR 4.1 million to EUR 0.9 million due to the sale of the Display Marketing business.

#### **4. 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 is performance-oriented and consists of fixed and variable elements. There is also a remuneration component providing long-term incentives in the form of convertible bonds, options and virtual options (Stock Appreciation Rights). 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. 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. No guaranteed minimum payment of the variable remuneration component is granted. There are no retirement benefits from the Company to members of the Management Board.

Each member of the Supervisory Board receives fixed remuneration of EUR 15,000 per year. The Chairman of the Supervisory Board receives the double amount. In addition to this fixed remuneration, each member of the Supervisory Board (including the Chairman and his deputy) receives an annual compensation amount based on the Company's performance, amounting to EUR 250 for every EUR 0.01 of earnings per share, as disclosed in the Company's consolidated financial statements for the year in question, which exceeds a minimum amount of EUR 0.30 per share. In agreement with the members of the Supervisory Board, it is Company policy not to offer remuneration for seats on the supervisory boards of other Group companies.

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

The Company's capital stock amounts to EUR 30,455,890.00. It is divided into 30,455,890 registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 per share. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. There are no other share categories.

On September 29, 2009, and with the approval of the Supervisory Board of the same day, the Management Board of AdLINK Internet Media AG resolved to increase capital from Authorized Capital by a total of EUR 4,250,000.00, from EUR 26,205,890.00 to EUR 30,455,890.00, by means of non-cash contribution through the issue of 4,250,000 new, registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 per share ("New Shares"). The non-cash contribution was in the form of shares in Sedo GmbH, Cologne, Germany. The capital increase 2009 was concluded on November 20, 2009 and entered in the Commercial Register.

Due to contractually agreed vesting periods, the New Shares may not be traded for a specific time. They are therefore not initially released for stock exchange trading. AdLINK Internet Media AG intends to apply for admission of the New Shares in stages, as follows: half of the New Shares, i.e. 2,125,000 units, are to be admitted for trading from October 2011 and the remaining New Shares, i.e. the other 2,125,000 units, are to be admitted for trading from October 2013.

As far as the Company is informed, United Internet AG, Montabaur, held 23,835,777 shares or 78,26% of total shares in the AdLINK Group as of December 31, 2009

The appointment and dismissal of members of the Management Board is regulated by Secs. 84, 85 of the German Stock Corporation Act (AktG), I. 4. of the rules of procedure for the Supervisory Board and Sec. 6 (1) of the Company's articles. The Supervisory Board appoints the members of the Management Board for a period of no more than five years. The Supervisory Board can revoke the appointment of a Management Board member and the appointment as Chairman of the Management Board for important grounds. The Management Board consists of one or more persons, whereby the number is determined by the Supervisory Board. The Supervisory Board may appoint a member of the Management Board as chairman. Deputy members of the Management Board may also be appointed. Every amendment to the Company's articles requires a resolution of the Annual Shareholders' Meeting. The resolution of the Annual Shareholders' Meeting requires a majority of at least three quarters of capital stock represented at the time of adoption. The Supervisory Board is authorized to make amendments to the articles insofar as they only affect the form.

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 EUR 8,650,000.00 by issuing new no-par shares for cash or non-cash contributions (Authorized Capital 2005).

Capital stock may also be increased conditionally by up to EUR 1,044,010.00, divided into up to 1,044,010 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.

Capital stock may still be increased conditionally by up to EUR 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.

At the Annual Shareholders' Meeting of May 25, 2009 the Management Board was authorized until November 24, 2010 to acquire treasury shares of up to ten percent of its capital stock. The price for the acquisition of these shares (excluding transaction costs) may not be more than 10% lower or higher than the stock market price. The authorization may be exercised by the Company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, be exercised by dependent or majority-owned corporations of the Company or by third parties for the Company's or their own account. The acquired shares may not, in combination with other treasury shares owned by or in the possession of the Company or to be attributed to the Company pursuant to Sections 71 a et seq. German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock. The authorization may not be used for the purposes of trading with Company shares.

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these acquired shares and others previously acquired for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders, if the treasury shares are sold for cash compensation which is not significantly lower than the share price for the same type of Company shares at the time of such sale, or for non-cash compensation whose value is not generally regarded as inappropriately low (in each case excluding transaction costs). This authorization is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Sec. 186 (3) Sentence 4 German Stock Corporation Act (AktG).

Moreover, the Management Board is authorized to use the shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other Company employees, as well as to executives and employees of affiliated companies pursuant to Sections 15 et seq. German Stock Corporation Act (AktG), should such persons be entitled to subscription on the basis of employee stock ownership plans. Insofar as treasury shares are to be transferred to members of the Company's Management Board, the decision shall be incumbent upon the Company's Supervisory Board.

The Management Board is further authorized to use the shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, to fulfill conversion and warrant rights or conversion obligations resulting from convertible or warrant bonds issued by the Company or dependent or majority-owned corporations.

The Management Board is also authorized to retire and cancel the treasury shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, without such cancellation requiring an additional resolution by the Annual Shareholders' Meeting. The Supervisory Board is authorized to adapt Sec. 5 of the Company's articles in accordance with the respective use of the authorization to retire shares.

The right of shareholders to subscribe to treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

## **6. SUBSEQUENT EVENTS**

There were no major events subsequent to the reporting period which had a significant impact on the business development of the AdLINK Group.

## **7. RISK REPORT**

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 2009 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 earnings before taxes 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 on a quarterly basis and by them to the Supervisory Board. 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 the AdLINK Group are presented in the following:

### **Market**

The AdLINK Group operates in a number of countries and is subject to the economic development of these sub-markets. The respective economic development influences the amount of customer spending and therewith the amount of advertising spending by potential customers and thus the size of the total market in which the AdLINK Group is active. In 2009 the economic situation in these countries was strained. The Group's continued market development is uncertain in view of the amount of the online advertising budgets of our customers. Thus subject may have a significant impact on its result of operations, financial position and net assets.

## **Competition**

There is strong competition from national and international companies operating in the field of performance marketing. New competitors might also enter the market and further raise the intensity of competition. For example, the market entry of Google Inc. with their product "AdSense for Domains" in the domain parking business at the beginning of 2009. AdLINK Internet Media AG can only influence these factors to a very limited extent. Such competition could lead to a deterioration of our net assets, financial situation and results of operations, as advertisers and domain owners would be able to choose from a wide range of platforms and networks. AdLINK Group strengthens the ties to its customers and partners 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 performance marketing, technological innovations emerge at short intervals. For example, new tools and concepts are constantly developed and need to be made technically 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 does not implement technological innovations or only with delay.

As a consequence, we might lose important advertising customers and thus revenue and earnings. AdLINK Group takes action to counter this risk by closely monitoring the market and competitors, by evaluating technological possibilities, by entering into cooperations and by driving our own developments.

## **Reach**

A key differentiation factor of the AdLINK Group 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 and would be unable to sufficiently replace them, we might become less attractive for advertisers. Result thereof loss of revenue, may effect in a deterioration of our net assets, financial situation and results of operations. We limit this risk by providing active partner and customer support, continually improving service quality, expanding our international organization 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. In the case of affilinet and Sedo, a substantial proportion of revenue is often generated with a few major business partners. Renegotiations with these business partners took place in 2009. 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. The AdLINK Group has positioned itself as a European online specialist with an innovative product portfolio and special services for its customers and partners.

Due to the current competitive situation in certain countries, the AdLINK Group 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**

Due to the sale of investments in Hi-media and Goldbach Media to United Internet, the liabilities of AdLINK Internet Media AG due to banks were almost completely settled in 2009. On the basis of current information, 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. The AdLINK Group 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 the AdLINK Group are the skills and market knowledge of its employees. There is fierce competition for skilled and committed specialists and management personnel with relevant experience in the sector. High staff turnover or the loss of key personnel could have an adverse impact on the AdLINK Group. So far, we have always succeeded in quickly compensating for the loss of key personnel. We counter such risks by pursuing an active personnel development strategy.

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

The major risks for the Company's future net assets, financial situation and results of operations focus not only on the market development, but also on the areas of competition, payment risks, dependencies on customers and partners and product development. Personnel risks continue to be limited to individual company units which require highly specialized knowledge which is only available on the labor market to a limited extent. 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 moderate. There were no risks which directly jeopardized the continued existence of AdLINK Internet Media AG in the fiscal year 2009, neither from individual risks nor from the overall risk situation.

### **Annual inspection of the risk management system acc. to Sec. 317 (4) HGB**

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 2009.

## **Main features of the internal control and risk management system with regard to the accounting process of AdLINK Internet Media AG**

AdLINK Internet Media AG regards risk management as part of its internal control system, which is based on the internationally recognized COSO framework (“Internal Control – Integrated Framework”) as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Internal Audit division is responsible for independently auditing the functionality of the internal control system. In order to conduct its duties, Internal Audit has been granted extensive rights with regard to information, examination and access.

### **Risk assessment**

AdLINK Internet Media AG regards risk management as a measure to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to implement the risk management principles.

The risk management system of AdLINK Internet Media AG is a system with which risks can be identified and assessed, especially those business events which may jeopardize the company’s existence. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions, especially if they are time-critical and toward year-end. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The Internal Audit division of AdLINK Internet Media AG ensures the functionality and effectiveness of the risk management system by means of regular audits as part of its monitoring duties.

### **Description of the internal control system**

The accounting-related internal control system of AdLINK Internet Media AG comprises all principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that all legal regulations are observed.

Clearly defined internal controls are embedded into the accounting process with regard to risk aspects. The accounting-related internal control system comprises both preventive and investigative controls, including IT-aided and manual coordination, the separation of functions, the “four-eye principle”, general IT controls, e.g. access rights to IT systems, or change management and its monitoring.

With the aid of organizational, control and monitoring structures defined by AdLINK Internet Media AG, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly. The

accounting-related internal control system described above is also complemented by so-called Entity Level Controls from the highest executive bodies.

Due to their very nature, the discretionary decisions of individuals, faulty controls, criminal acts, or other such circumstances cannot be fully excluded and can thus restrict the effectiveness and reliability of the internal control and risk management systems. As a result, even the group-wide application of the systems used cannot guarantee absolute security with regard to the correct, complete and timely recognition of events in corporate accounting.

The statements made refer solely to the subsidiaries included in the consolidated annual financial statements of AdLINK Internet Media AG, for which AdLINK Internet Media AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

## **8. Declaration on Corporate Governance acc. to Sec. 289a (1) German Commercial Code (HGB)**

With regard to the recommendations of the "Government Commission on the German Corporate Governance Code", Sec. 161 of the German Stock Corporation Act (AktG) requires listed companies to publish a declaration of conformity once per year.

Companies are allowed to deviate from the suggestions without the need for disclosure.

In March 2010, the Management Board and Supervisory Board of AdLINK Internet Media AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG and published it on the Company's website as well as in the electronic Federal Gazette.

### **Declaration of conformity by AdLINK Internet Media AG with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)**

In accordance with Sec. 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of AdLINK Internet Media AG declare that:

AdLINK Internet Media AG complied with the recommendations of the German Corporate Governance Code (in the version dated June 18, 2009) with the following exceptions, and expects to comply in future with the following exceptions:

#### **Deductibles in the case of D&O insurance policies (Codex 3.8)**

Since the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into power, the German Stock Corporation Act (AktG) now requires that Management Board members accept an obligatory deductible for D&O insurance policies of at least 10% of the loss and up to at least one-and-a-half times the fixed annual compensation of the respective Management Board member (Sec. 93 AktG). Deductibles need not be agreed, however, for Supervisory Board members (Sec. 116 AktG). Beyond the scope of the AktG, the German Corporate Governance Code recommends that a similar deductible be agreed for the Supervisory Board in any D&O policy.

AdLINK Internet Media AG has fully adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed its first deductible for members of the Management Board. No deductible was agreed for the Supervisory Board. AdLINK Internet Media does not generally believe that the motivation and responsibility with

which the members of AdLINK Internet Media's Supervisory Board conduct their duties will be affected by such a deductible.

### **Committees (Code 5.3)**

The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. In addition, the German Corporate Governance Code recommends that the Supervisory Board form a Nomination Committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the Annual Shareholders' Meeting.

The Supervisory Board of AdLINK Internet Media AG currently consists of three members: in addition to their other duties, the members also deal as a group with the above-mentioned topics. The Supervisory Board's rules of procedure state that committees should only be formed if there are more than three members.

### **Compensation of Supervisory Board members (Code 5.4.6)**

The German Corporate Governance Code recommends that the compensation of Supervisory Board members should also take into account the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership of committees.

As long as the Supervisory Board consists of no more than three members and no committees are formed, AdLINK Internet Media only separately considers the Chair position in the Supervisory Board.

### **Publication of reports (Code 7.1.2)**

The German Corporate Governance Code recommends that interim reports are to be publicly accessible within 45 days of the end of the reporting period.

In fiscal year 2009, AdLINK Internet Media published its interim reports within the period recommended by the German Corporate Governance Code. As already announced in the Financial Calendar 2010, the half-year financial report 2010 will not be published until August 26, 2010 for organizational, internal reasons.

### **Corporate governance practices**

The management of AdLINK Internet Media AG acts in accordance with legal requirements and the recommendations and suggestions of the German Corporate Governance Code. The management is committed to serving the best interests of the Company.

### **Executive Board and Supervisory Board procedures**

In accordance with its legal status, AdLINK Internet Media AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the company's interests.

The Supervisory Board of AdLINK Internet Media AG consists of three members who are elected by the Annual Shareholders' Meeting. The members of the Supervisory Board are generally elected for a period of five years. For nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board is composed of members who have the required knowledge, abilities and expert experience to properly complete their tasks and are sufficiently independent. Members of the Supervisory Board must not be older than 70. The Supervisory Board shall elect a Chairman and his Deputy for the term of office.

The Supervisory Board has set itself rules of procedure and acts in accordance with these rules, as well as with legal provisions and the Company's articles. The Supervisory Board regularly examines the efficiency of its activities. The Annual Shareholders' Meeting is responsible for setting the remuneration of Supervisory Board members.

A Supervisory Board meeting is held at least once per quarter. A total of five Supervisory Board meetings were held in fiscal year 2009. The meetings of the Supervisory Board are convened by the Chairman. The agenda and resolutions for adoption are transmitted when each meeting is convened. The Supervisory Board is quorate if all members have been invited in an orderly manner and half the members, but at least three, are present for the adoption of resolutions. The meetings are chaired by the Chairman. Resolutions of the Supervisory Board are adopted with a simple majority, unless otherwise prescribed by law. Minutes are taken of the discussions and the decisions of the Supervisory Board.

Should the Supervisory Board consist of more than three members, it may form committees. The number of Supervisory Board members is currently three; no committees have been formed.

The Chairman of the Supervisory Board explains the activities of the Supervisory Board at the Annual Shareholders' Meeting. The Supervisory Board Report is published in the annual report of AdLINK Internet Media AG and on the Company's website.

The Supervisory Board appoints and dismisses the members of the Management Board. The Supervisory Board monitors and advises the Management Board in the management of the company.

The Management Board consists of three members. The number of members is determined by the Supervisory Board. The age limit for members of the Management Board is 70. The Supervisory Board issues rules of procedure for the Management Board together with a catalogue of transactions requiring its approval. The Supervisory Board appoints one member of the Management Board as Chairman. The Supervisory Board determines the remuneration of the Management Board.

The Management Board represents the Company in court and out of court. It manages the Company's business according to standard objectives, plans and guidelines. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure. Where necessary, the Management Board requests the approval of the Supervisory Board and submits reports to the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with legal regulations and, in particular, every quarter reports on the Company's situation and future plans. The Supervisory Board is also immediately informed about transactions and events of great significance. The Management Board prepares an annual budget, which it submits to the Supervisory Board for discussion and approval.

The Annual Shareholders' Meeting is convened by the Management Board. An ordinary Annual Shareholders' Meeting adopts resolutions concerning, in particular, the appropriation of the balance sheet profit, the release of the Management Board and the Supervisory Board from their responsibility, and the election of the external auditors. All shareholders listed in the Share Register and who have registered are authorized to participate and vote at the Annual Shareholders' Meeting. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. Voting rights may also be exercised by proxy. The Annual Shareholders' Meeting is chaired by the Chairman of the Supervisory Board. Resolutions of the Annual Shareholders' Meeting are adopted with a simple majority of votes cast, unless otherwise prescribed by law or the Company's articles, and where the law requires a capital majority, with a simple majority of the capital represented entitled to vote.

## **9. 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.

## **10. OUTLOOK**

### **Economic recovery continuing**

In its "World Economic Outlook Update" published in late January 2010, the International Monetary Fund (IMF) expects a faster recovery from global recession. It believes that global economic output will grow by 3.9% in 2010, following a decline of 0.8% in 2009. The strong recovery results above all from the development of the emerging nations. With growth of 2.1%, the highly developed economies will contribute less to the recovery than less developed countries (+6.0%) in 2010. Compared with the forecast published in October 2009, the IMF has upgraded its global economic growth forecast for 2010 by 0.8 percentage points, from 3.1% to 3.9%. Its forecast for the industrial nations was increased by 0.8 percentage points and for the emerging countries by 0.9 percentage points.

The IMF expects GDP in the USA to grow by 2.7% (an increase of 1.2 percentage points compared to its October forecast) and in the EU by 1.0% (+0.7 percentage points compared to the October forecast) in 2010. According to the IMF's "World Economic Outlook Update", the development of US GDP was clearly negative in 2009 at -2.5%, as was that of the European Union at -4.0%.

In late January 2010, the German government upgraded its growth forecast for the current year from 1.2% to 1.4%. The main reason for the increase in GDP is thought to be the improvement in exports, which are expected to grow by 5% in 2010. Compared to the previous year, however, consumer spending is expected to stagnate. The economy thus appears to have pulled out of recession, but the economic crisis is still not over.

### **Further growth for online advertising**

In its forecast for 2010 made in early December 2009, the media agency network ZenithOptimedia expects that global advertising spend will stabilize further in the current year. Slight growth of 0.9% is expected, compared to 0.5% in the October forecast. However, ZenithOptimedia also forecast that the developing markets, such as Asia (+8.4%) and South America (+8.1%), will be the first to recover. The markets hit hardest by the economic crisis, North America and Western Europe, will recover more slowly with forecast declines of -2.4% and -0.5%, respectively. Advertising spending in Germany is still expected to fall in 2010 by -1.5%.

The European Interactive Advertising Association (EIAA), pan-European sector association for media companies, announced in its "Marketers' Internet Ad Barometer" survey of mid 2009 that 94% of European advertisers questioned wanted to increase their online advertising spend. Budgets for online advertising would thus grow at an average annual rate of 7.6% in 2010. 88% of survey participants in Germany plan to expand their online budgets in 2010, with an increase in spending in this field of 20%.

The Online Marketing Group (Online-Vermarkterkreis - OVK) forecasts further growth for the online advertising market. In the field of affiliate networks, search word marketing and classic

online advertising, the German market is expected to grow to EUR 4.7 billion in 2010 – an increase of 14% compared to 2009. The ongoing trend toward online advertising observed over the past years will therefore continue. The measurability of advertising activities is a decisive advantage for advertisers – especially in challenging economic environments. In its Online Report 2010/01, the OVK assumes that this positive trend will continue.

### **Outlook for the AdLINK Group**

The Management Board of AdLINK Internet Media AG is convinced that especially performance-oriented advertising formats in the interactive medium of the Internet – in other words that proportion of advertising based on direct actions taken by consumers and other customers, in contrast to image-promoting advertising formats which primarily aim at raising awareness of the product – can expect attractive growth rates in the medium to long term. Following the sale of its Display Marketing business, AdLINK Internet Media AG will use 2010 to reposition itself on the market. Due in part to the departure of our largest client in Affiliate Marketing, sales revenues are expected to fall slightly to EUR 125 million. Earnings before taxes, interest, depreciation and special items will remain stable.

In the field of Domain Marketing, in which we hold a leading global position, we expect a slight general decline in 2010 and a return to growth from 2011 onward. We shall continue to invest in our domain inventory and cooperate increasingly with partners in the field of domain trading in 2010.

In our Affiliate Marketing segment, we will continue to invest in our platform so that we can offer our partners a greater range of technical services. We shall also intensify our sales activities outside Germany. Due to the loss of our largest client, sales will fall in 2010, but we expect a return to strong growth in 2011.

### **Forward-looking statements**

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board and currently available information. These forward-looking statements are not to be construed as guarantees of the future developments and results stated within. Such future developments and results are dependent on numerous factors. They involve various risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. AdLINK Internet Media AG does not assume any obligation to adjust or update the forward-looking statements contained in this report.

Montabaur, March 11, 2010

The Management Board

Andreas Janssen, Alexander Röthinger, Tim Schumacher

# **AdLINK GROUP**

**AdLINK Internet Media AG,  
Montabaur**

**Consolidated Financial Statements**

**acc. to IFRS**

**as of December 31, 2009**

**AdLINK Internet Media AG - Consolidated Balance Sheet acc. to IFRS**  
**as of December 31, 2009**

	<i>Notes</i>	Dec. 31, 2009 in EUR	Dec. 31, 2008 in EUR
<b>ASSETS</b>			
Cash and cash equivalents	(15)	6,547,793	12,039,730
Accounts receivable	(16)	11,671,967	42,342,282
Accounts receivable from affiliated companies	(16)	26,607	761,167
Inventories	(17)	5,590,801	4,432,643
Other non-financial assets	(18)	581,171	825,490
Other financial assets	(19)	4,169,555	4,043,315
<b>Current assets</b>		<b>28,587,894</b>	<b>64,444,627</b>
Shares of associated companies	(12)	899,004	1,152,797
Other financial assets	(3) (20)	12,340,601	12,046,803
Property, plant and equipment	(21)	1,037,682	1,960,614
Intangible assets (w/o Goodwill)	(22)	3,049,207	4,857,025
Goodwill	(10)	75,643,081	64,394,363
Deferred tax assets	(13)	1,416,521	1,898,595
<b>Non-current assets</b>		<b>94,386,096</b>	<b>86,310,197</b>
<b>Total assets</b>		<b>122,973,990</b>	<b>150,754,824</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Trade accounts payable	(23)	17,090,977	47,368,202
Liabilities due to affiliated companies	(24)	150,054	30,287,613
Liabilities due to banks	(25)	1,400,080	15,078,634
Accrued taxes	(26)	4,121,010	1,808,793
Other accrued liabilities	(27)	2,167,416	1,017,870
Other current liabilities	(28)	6,078,248	7,281,716
Convertible bonds	(30)	3,500	22,700
<b>Current liabilities</b>		<b>31,011,285</b>	<b>102,865,528</b>
Long-term liabilities due to minority shareholders	(29)	0	680,812
Convertible bonds	(30)	563	12,513
Deferred tax liabilities	(13)	678,218	977,380
<b>Non-current liabilities</b>		<b>678,781</b>	<b>1,670,705</b>
<b>Total liabilities</b>		<b>31,690,066</b>	<b>104,536,233</b>
<b>Equity</b>			
Capital stock	(31)	30,455,890	26,205,890
Additional paid-in capital	(32)	74,432,826	65,042,735
Accumulated deficit		-13,557,882	-49,910,791
Currency translation adjustments		-46,910	575,205
<b>Total equity w/o minority interest</b>		<b>91,283,924</b>	<b>41,913,039</b>
Minority interest		0	4,305,552
<b>Total equity</b>		<b>91,283,924</b>	<b>46,218,591</b>
<b>Total liabilities and equity</b>		<b>122,973,990</b>	<b>150,754,824</b>

**AdLINK Internet Media AG - Statement of comprehensive income acc. to IFRS  
from January 1 to December 31, 2009**

	Notes	2009 in EUR	2008 in EUR adjusted*
Sales	(38)	135,311,892	142,962,082
Cost of sales	(4)	-107,154,373	-111,432,060
<b>Gross profit</b>		<b><u>28,157,519</u></b>	<b><u>31,530,022</u></b>
Selling expenses	(5)	-7,597,646	-7,060,541
General and administrative expenses	(6)	-12,630,766	-13,246,910
Other operating expenses	(7)	-4,659,148	-5,005,955
Other operating income	(8)	18,675,275	3,526,336
Depreciation of capitalized assets in the scope of acquisitions	(9)	-1,876,870	-1,654,620
Goodwill amortizations	(10)	0	-6,430,000
<b>Operating result</b>		<b><u>20,068,364</u></b>	<b><u>1,658,332</u></b>
Interest and similar expenses	(11)	-1,089,921	-2,361,809
Interest and similar income	(11)	208,868	167,553
Other financial result	(11)	338,718	-7,121,683
Result from associated companies	(12)	-253,793	-60,175
<b>Pre-tax result from continued operations</b>		<b><u>19,272,236</u></b>	<b><u>-7,717,782</u></b>
Income taxes	(13)	-3,991,689	-2,821,242
<b>Result from continued operations</b>		<b><u>15,280,547</u></b>	<b><u>-10,539,024</u></b>
<b>Result from discontinued operations</b>	(3)	21,072,362	-3,383,657
<b>Net income</b>		<b><u>36,352,909</u></b>	<b><u>-13,922,681</u></b>
<b>Other result</b>			
Losses (earnings) from currency translations		-622,115	858,629
Earnings (losses) from financial instruments classified as available for sale		0	-8,720,051
<b>Other net income</b>		<b><u>-622,115</u></b>	<b><u>-7,861,422</u></b>
<b>Total net income</b>		<b><u>35,730,794</u></b>	<b><u>-21,784,103</u></b>
<b>Net income attributable to:</b>			
Shareholders of AdLINK Internet Media AG		36,352,909	-13,922,681
Minority interest		0	0
<b>Total net income attributable to:</b>			
Shareholders of AdLINK Internet Media AG		35,730,794	-21,784,103
Minority interest		0	0
<b>Earnings per share</b>			
<i>basic (EUR/share), from net income attributable to the holders of registered ordinary shares of the Company</i>	(14)	1.36	-0.53
<i>diluted (EUR/share), from net income attributable to the holders of registered ordinary shares of the Company</i>	(14)	1.36	-0.53
<b>Earnings per share from continued operations</b>			
<i>basic (EUR/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company</i>		0.57	-0.40
<i>diluted (EUR/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company</i>		0.57	-0.40
<b>Earnings per share from discontinued operations</b>			
<i>basic (EUR/share), from results of discontinued operations attributable to the holders of registered ordinary shares of the Company</i>		0.79	-0.13
<i>diluted (EUR/share), from results of discontinued operations attributable to the holders of registered ordinary shares of the Company</i>		0.79	-0.13
<b>Weighted average number of shares outstanding</b>		26,694,931	26,184,471
<b>Weighted average number of shares outstanding (diluted)</b>		26,694,931	26,184,471

\* Some of the financial figures were adjusted and differ from the figures of the consolidated financial statement 2008 (see Note 3).

AdLINK Internet Media AG - Consolidated Cash Flow acc. to IFRS  
from January 1 to December 31, 2009

	Notes	2009 in EUR	2008 in EUR adjusted *
Net Income		36.352.909	-13.922.681
thereof result from discontinued operations		21.072.362	-3.383.657
<b>Adjustment to reconcile net income to net cash</b>			
Amortization of intangible assets and property, plant and equipment	(9)	3.144.639	2.944.035
Amortization of Goodwill	(10)	0	6.430.000
Amortization of other financial Assets	(11)	0	8.058.343
Depreciation of inventories	(17)	1.241.546	937.057
Disposals/Additions of assets		-58.688	5.546
Change in deferred taxes	(13)	-341.531	-30.002
Compensation expenses from employee stock option plans	(30)	303.750	1.279.691
Result from associated companies	(12)	253.793	60.175
Dividends from associated companies and other investments	(11)	-338.718	-772.657
Disposal income from financial assets	(8)	-12.703.766	0
Compounding liability guarantee dividend minority shareholders	(29)	25.530	44.324
Non-cash result from sale of investments		0	-15.829
<b>Operative cash flow of continued operations</b>		<b>6.807.102</b>	<b>8.401.660</b>
Non-cash effects of discontinued operations		-25.929.558	4.259.282
<b>Total operative cash flow</b>		<b>1.949.906</b>	<b>9.277.285</b>
<b>Changes in assets and liabilities</b>			
Change in receivables		6.219.871	1.862.643
Change in receivables from affiliated companies		642.942	-128.031
Change in inventories		-2.399.704	-1.442.337
Change in other current financial assets		-184.341	-1.261.458
Change in other non-financial assets		-606.580	211.904
Change in accounts payable, trade		-4.271.611	-1.710.966
Change in accounts payable due to affiliated companies		-278.633	-461.837
Change in accounts payable due to minorities		-706.342	0
Change in accrued taxes		2.761.572	-3.885.934
Change in provisions		-350.454	-15.630
Change in other liabilities		652.969	-175.867
<b>Change in assets and liabilities from continued operations</b>		<b>1.479.689</b>	<b>-7.007.513</b>
Change in assets and liabilities from discontinued operations		-458.842	7.190.445
<b>Net income from continued operations</b>		<b>8.286.791</b>	<b>1.394.147</b>
<b>Net income from discontinued operations</b>		<b>-5.316.038</b>	<b>8.066.070</b>
<b>Total net income</b>		<b>2.970.753</b>	<b>9.460.217</b>
<b>Cash flow from investment activities</b>			
Capital expenditure for property, plant and equipment	(21)	-407.501	-848.662
Capital expenditure for intangible assets	(22)	-103.999	-81.664
Investments in other financial assets	(3)	-312.370	0
Investments	(3)	-5.500.000	-460.439
Dividends and similar cash inflow from investments		338.718	772.657
Cash inflow through disposal of assets		34.495	151
Cash inflow through disposal of investments	(3)	45.063.719	0
Acquisition costs, net of acquired cash	(3)	-572.677	0
Payment through disposal of companies (less cash payments)		0	-113.146
<b>Cash flow from investment activities of continued operations</b>		<b>38.540.385</b>	<b>-731.103</b>
<b>Cash flow from investment activities of discontinued operations</b>		<b>-1.974.534</b>	<b>-422.538</b>
<b>Total cash flow from investment activities</b>		<b>36.565.851</b>	<b>-1.153.641</b>
<b>Cash flow from financing activities</b>			
Change of utilized credit line from affiliated companies	(24)	-29.837.778	-21.205.767
Borrowing/Repayment of short-term bank loans	(25)	-13.678.554	14.901.699
Payments for the exercise/conversion of convertible bonds	(31) (32)	0	179.375
Payment/Repayment of convertible bonds	(30)	-31.150	-4.325
Dividend payments to minority shareholders	(28)	-250.000	-250.000
<b>Cash flow from financing activities of continued operations</b>		<b>-43.797.482</b>	<b>-6.379.018</b>
<b>Cash flow from financing activities of discontinued operations</b>		<b>0</b>	<b>0</b>
<b>Total cash flow from financing activities</b>		<b>-43.797.482</b>	<b>-6.379.018</b>
Net increase/decrease in cash		-4.260.878	1.927.558
Cash and cash equivalents at the beginning of the fiscal year		12.039.730	9.535.938
Effect of disposal of cash and cash-equivalents from deconsolidation		-1.155.795	0
Effect of exchange rate differences on cash		-75.264	576.234
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>6.547.793</b>	<b>12.039.730</b>
Deposit of interest from continued operations		58.465	172.450
Cash paid for interest from continued operations		-1.343.336	-2.512.930
Deposit of taxes from continued operations		83.257	0
Cash paid for taxes from continued operations		-3.135.674	-8.009.806

\* Some of the financial figures were adjusted and differ from the figures of the consolidated financial statement 2008 (see Note 3).

**AdLINK Internet Media AG - Consolidated Statement of Changes in Shareholders' Equity acc. to IFRS  
from January 1 to December 31, 2009**

<i>Notes</i>	Common stock (31) Shares and EUR	Additional paid-in capital (32) EUR	Accumulated deficit EUR	Revaluation reserves (20) EUR	Currency translation adjustment EUR	Total shareholders' equity EUR	Minority interest EUR	Total Company's equity EUR
<b>Balance as of December 31, 2007</b>	<b>26,154,640</b>	<b>63,487,620</b>	<b>-35,988,110</b>	<b>8,720,051</b>	<b>-283,424</b>	<b>62,090,777</b>	<b>4,305,552</b>	<b>66,396,329</b>
Net income	0	0	-13,922,681	0	0	-13,922,681	0	-13,922,681
Other net income	0	0	0	-8,720,051	858,629	-7,861,422	0	-7,861,422
<b>Total net income</b>	<b>0</b>	<b>0</b>	<b>-13,922,681</b>	<b>-8,720,051</b>	<b>858,629</b>	<b>-21,784,103</b>	<b>0</b>	<b>-21,784,103</b>
Addition from stock-option plans	0	1,421,865	0	0	0	1,421,865	0	1,421,865
Exercise of convertible bonds	51,250	133,250	0	0	0	184,500	0	184,500
<b>Balance as of December 31, 2008</b>	<b>26,205,890</b>	<b>65,042,735</b>	<b>-49,910,791</b>	<b>0</b>	<b>575,205</b>	<b>41,913,039</b>	<b>4,305,552</b>	<b>46,218,591</b>
Net income	0	0	36,352,909	0	0	36,352,909	0	36,352,909
Other net income	0	0	0	0	-622,115	-622,115	0	-622,115
<b>Total net income</b>	<b>0</b>	<b>0</b>	<b>36,352,909</b>	<b>0</b>	<b>-622,115</b>	<b>35,730,794</b>	<b>0</b>	<b>35,730,794</b>
Non-cash capital increase	4,250,000	9,350,000	0	0	0	13,600,000	0	13,600,000
Disposal of minority interests	0	0	0	0	0	0	-4,305,552	-4,305,552
Addition from stock-option plans	0	40,091	0	0	0	40,091	0	40,091
<b>Balance as of December 31, 2009</b>	<b>30,455,890</b>	<b>74,432,826</b>	<b>-13,557,882</b>	<b>0</b>	<b>-46,910</b>	<b>91,283,924</b>	<b>0</b>	<b>91,283,924</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2009

### 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 Munich, Hanover, Cologne, Montabaur, Cambridge/Boston (Massachusetts/USA), Haarlem (Netherlands), Levallois-Perret (France), London (UK) and Madrid (Spain). All Company offices are leased.

#### Employees

On December 31, 2009 the AdLINK Group had 318 employees (previous year: 510). The average number of employees was 434 (previous year: 440). These employees are allocated among the various divisions as follows:

	<u>2009</u>	<u>2008</u>
Order Processing	58	60
Product Management	52	48
Marketing	18	27
Sales	196	191
Administration	54	55
IT	56	59
Average number of employees	<u>434</u>	<u>440</u>

#### 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 Internet 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 Beteiligungen 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, ABI. EU No. L 243 p. 1), the Ad-LINK Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards) and the respective interpretations of the IFRIC (International Financial Reporting Interpretations Committee). 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 (€). Amounts stated in the notes to the financial statements are in thousand euro (€k) or million euro (€m). 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 balance sheet date is December 31, 2009.

The Supervisory Board approved the consolidated financial statements for 2008 at its meeting on March 24, 2009. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on May 11, 2009.

The consolidated financial statements for 2009 were prepared by the Company's Management Board on March 11, 2010 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 22, 2010.

### 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 inter-company 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.

As of December 31, 2009, the Group includes the following subsidiaries in which AdLINK Internet Media AG holds a direct or indirect majority interest (as indicated by the shareholding / abbreviation in brackets):

- Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur / Germany (100.00% / "Response Republic")
  - Sedo GmbH, Cologne / Germany (100.00% / "Sedo Germany")
    - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.00%, [0.002% in escrow] / "DomCollect")
    - Sedo.com LLC, Cambridge (Boston) / USA (100.00% / "Sedo USA")
    - Sedo London Limited, London / UK (100.00% / "Sedo UK")
- affilinet GmbH, Munich / Germany (100.00% / "affilinet")
  - affilinet España SLU, Madrid / Spain (100.00% / "affilinet Spain")
  - affilinet Nederland B.V., Haarlem, the Netherlands (100.00%, "affilinet Netherlands")
  - affilinet Ltd., London / UK (100.00% / "affilinet UK")
  - affilinet France SAS, Levallois-Perret / France (100.00% / "affilinet France")

During the course of the reporting period, affilinet SAS was merged with CibleClick Performances SA to form affilinet France SAS. In addition, on May 20, 2009 a new company was formed, AdLINK Media Deutschland GmbH, based in Düsseldorf, Germany, and on August 13, 2009 the companies affilinet Nederland B.V. and affilinet España SLU were formed. In addition, Sedo London Limited was formed on November 14, 2009.

Moreover, on September 24, 2009, AdLINK Internet Media GmbH Deutschland, Düsseldorf, changed its legal name to Response Republic Beteiligungsgesellschaft Deutschland GmbH, and its registered offices were moved to Montabaur.

On August 31, 2009 the Display Marketing segment was sold to Hi-media S.A. by means of a business combination agreement dated July 6, 2009 and is thus no longer included in the consolidated balance sheet as of the balance sheet date. In the course of the sale, the following fully consolidated subsidiaries were transferred: AdLINK Internet Media SAS, Levallois-Perret / France, AdLINK Internet Media N.V., Brussels / Belgium, AdLINK Internet Media S.L.U., Madrid / Spain, AdLINK Internet Media Ltd., London / UK, AdLINK Internet Media B.V., Haarlem / the Netherlands, AdLINK Internet Media Srl, Milan / Italy, AdLINK Media Deutschland GmbH, Düsseldorf, net:dialogs GmbH, Montabaur.

All companies in which the Company has invested and over whose financial and business policies it has a significant influence are carried in the consolidated financial statements as associated companies using the equity method. The following companies belong to this group:

- DomainsBot Srl, Rome / Italy (40.00% / "DomainsBot")
- Intellectual Property Management Company Inc., Dover (Delaware) / USA (49.00% / "IPMC")

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.

The shares held in Goldbach Media AG, Küssnacht / Switzerland (14.99%), disclosed in the balance sheet of the previous year were sold to United Internet Beteiligungen GmbH, Montabaur, in an agreement dated September 29, 2009. Please refer to Note 3 for further details.

### 2.3 Changes in accounting and valuation methods

The accounting and valuation policies applied mainly correspond to the methods applied in the previous year, with the exception of the following new and revised IFRS standards and interpretations applied for the first time. 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.

#### Amendments to IFRS 7 - Financial Instruments: Disclosures

In March 2009, the IASB released amendments to IFRS 7 which require additional disclosures about fair value measurement and the liquidity risk of financial instruments. The amendments to IFRS 7 form part of the IASB's response to the financial market crisis and take into consideration the recommendations of the G20 and the discussions of the IASB's Expert Advisory Panel. Application of the amendments to IFRS 7 are mandatory for fiscal years beginning on or after January 1, 2009. No prior-year figures are required in the first year of adoption, though. The Group has disclosed the required information in full in the Notes to the Consolidated Annual Financial Statements.

#### 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 profit-ability.

The new standard influences 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.

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

The revised standard IAS 1 was released in September 2007 and is applicable for the reporting period 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. In future, only transactions with shareholders in their capacity as providers of equity capital may be disclosed in the statement of changes in equity. Other changes in equity are to be disclosed in the presentation of “comprehensive income” for the period, which can be presented either in one single statement or in the form of two statements: a profit and loss statement and a comprehensive income statement. Furthermore, the standard requires that a company includes a balance sheet in its annual financial statements of the earliest comparison period if it retroactively applies an accounting method, or retroactively corrects or re-classifies an item. The new standard has an effect on the mode of publication of the Group’s financial information, yet does 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 ends the former option right and 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 transitional provisions provide for the revision to be applied prospectively. The first-time application of this revision had no significant effects on the Group’s profit, financial and economic situation.

## **Amendments to IAS 32 and IAS 1 - Puttable Financial Instruments and Obligations Arising on Liquidation**

The amendments of IAS 32 and IAS 1 were released in February 2008 and are applicable in the reporting period beginning on or after January 1, 2009. The revision introduces exceptions which allows puttable financial instruments to be classified as equity if they meet certain criteria. Disclosures about these financial instruments are still mandatory. Due to a lack of relevance, first-time adoption of the standard did not affect the disclosure of the Company’s debt and equity capital.

## **Amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRIC 9 - Reassessment of Embedded Derivatives**

In March 2009, the IASB released amendments which offer a clarification of the accounting of embedded derivatives in the case of a reclassification of hybrid financial instruments. The amendments are to be applied retroactively for fiscal years ending on or after June 30, 2009, whereby the changes had no effect on the consolidated annual financial statements as there was no area of application.

## **Annual Improvement Project – Improvements to IFRS 2008**

The amendments from the Improvement Project 2008 were released in May 2008 and – with the exception of IFRS 5 (here from July 1, 2009) – are first applicable for fiscal years beginning on or after January 1, 2009. In the course of the Improvement Project 2008, a number of material amendments were released which affect accounting and measurement methods, as well as purely editorial amendments. The latter concern, for example, individual definitions and formulations aimed at maintaining consistency with other IFRS standards:

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: It was clarified that all assets and liabilities of a subsidiary whose sale would result in a loss of

control of this subsidiary are also to be classified as available-for-sale if the company maintains a non-controlling interest in its former subsidiary after the sale.

- IAS 1 “Presentation of Financial Statements”: It was clarified that financial instruments classified as held-for-trading are not necessarily to be classified as current assets or liabilities in the balance sheet. The term “current” is based solely on the accrual criteria contained in IAS 1.
- IAS 10 “Events after the Reporting Period”: It was clarified that dividends decided after the end of the reporting period, but before approval to publish the annual financial statements, do not represent an obligation as of the balance sheet date and should therefore not be recognized in the annual financial statements as a liability.
- IAS 19 “Employee Benefits”: In addition to the revision of several definitions, it was clarified that plan changes which result in a reduction of benefits for services to be rendered in future periods, are to be recognized as a plan curtailment. Plan changes for which the curtailment refers to services already rendered, however, are to be recognized as a past service cost.
- IAS 23 “Borrowing Costs”: The definition of borrowing costs was revised insofar as the guidelines in IAS 39 regarding the effective interest rate were adopted.
- IAS 28 “Investments in Associates”: As the goodwill contained in the carrying value of an investment in an associated company is not separately disclosed, it is not separately tested for any impairment. Instead, the entire carrying value of the investment is tested for impairment as a single asset and written down as necessary. It was now clarified that also the reversal of an impairment loss recognized for an investment in an associated company in an earlier reporting period is to be recognized as an increase in value of this investment as a whole and not allocated to the goodwill it contains. A further amendment concerns the disclosure obligations for such investments in associates, which are carried at fair value in accordance with IAS 39. In future, only the requirements of IAS 28 are applied which stipulate that the type and scope of significant restrictions in the ability of the associate to transfer finance to the company in the form of cash or loan redemption are to be specified.
- IAS 34 “Interim Financial Reporting”: It was clarified that diluted and undiluted earnings per share must only be stated in the interim financial report if the company is subject to the application area of IAS 33.
- IAS 36 “Impairment of Assets”: The disclosure requirements were simplified for the determination of “value in use” and “fair value less transaction costs”, calculated on the basis of a discounted cash flow model.
- IAS 38 “Intangible Assets”: Expenditure for goods and services used for advertising campaigns and sales promotion activities (including mail order catalogs) are recognized as an expense in future if the Group has received the right to access the goods or services. The application of the performance-related depreciation method for intangible assets is still allowed without restriction.
- IAS 39 “Financial Instruments: Recognition and Measurement”: After initial recognition, derivatives can be designated as “at fair value through profit or loss” or removed from this category due to a change in circumstances, as this does not qualify as a reclassification as defined by IAS 39. The reference to a “segment”, regarding whether an instrument fulfilled the criteria for a hedge instrument, was also cancelled. It was also clarified that the newly calculated effective interest rate is to be used for the valuation of a debt instrument when the hedging relationship is no longer carried in the balance sheet to hedge against fair value.

The amendments from the Improvement Project had no significant effects on the Group’s annual financial statements.

### **IFRIC 12 - Service Concession Arrangements**

IFRIC Interpretation 12 was released in November 2006 and is generally applicable for 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. This interpretation therefore had no effect on the Company's consolidated annual financial statements.

#### **IFRIC 15 - Agreements for the Construction of Real Estate**

IFRIC 15 concerns the balance sheet treatment of real estate sales for which the agreement is concluded with the buyer before building work has been completed. IFRIC 15 is applicable for fiscal years beginning on or after January 1, 2009 and had no effect on the Company's consolidated annual financial statements as there was no area of application.

#### **IFRIC 16 - Hedges of a Net Investment in a Foreign Operation**

IFRIC 16 concerns individual questions arising in connection with the hedging of a net investment in a foreign operation. IFRIC 16 is applicable for fiscal years beginning on or after October 1, 2008. The application of IFRIC 16 had no effect on the Company's consolidated annual financial statements.

Standards and interpretations released but not yet applied

The IASB and IFRIC released the following standards and interpretations which have already been adopted as EU law under the comitology procedure but were not yet subject to mandatory application in fiscal 2009. These standards and interpretations were not voluntarily applied by the Group.

#### **IFRS 1 - First-time Adoption of IFRS**

The revised standard IFRS 1 was released in November 2008 and is to be applied for the first time for fiscal years starting on or after January 1, 2009. The revision of the standard only included editorial amendments and a restructuring of the standard. There are no amendments to accounting and valuation regulations for the first-time adoption of IFRS resulting from the revision. The standard has no effect on the Company.

#### **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. The provisions provide for the revision to be applied prospectively.

The amendments will affect the measurement size of goodwill, the results of the reporting period in which a company is acquired, and on future results. The application of the full goodwill method in particular can lead to higher goodwill values.

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

The revised standard IAS 27 was released in January 2008 and is applicable for fiscal years beginning on or after July 1, 2009. 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. There are no changes, therefore, for assets and liabilities resulting from such transactions prior to the first-time application of the new standard. As neither the aforementioned transactions nor a negative contribution from minority interests are expected in the reporting period of the Group's initial application, there will be no effects on the consolidated financial statements from the application of this standard.

## **Amendments to IAS 39 – Eligible Hedged Items**

The amendments to IAS 39 were released in July 2008 and are applicable retrospectively for fiscal years beginning on or after July 1, 2009. The amendment specifies how the principles contained in IAS 39 regarding the designation of hedging instruments of a one-sided risk in a hedged item and the designation of inflation risks as a hedged item are to be applied. The amendment clarifies that it is permissible to designate only part of the changes in fair value or of cash flow fluctuations of a financial instrument as a hedged item. The revised standard is not expected to have any effect, as the Company has not entered into any hedging transactions in the past.

## **IFRIC 17 - Distributions of Non-cash Assets to Owners**

IFRIC Interpretation 17 was released in November 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting and measurement of obligations which provide for the distribution of non-cash assets to the owners. In particular, the interpretation clarifies the time, valuation and disclosure of such obligations. It stipulates that such an obligation is to be carried and measured at fair value if the company can no longer avoid such obligations. The measurement of the obligation and any changes in fair value of the asset concerned are to be carried in equity. An effect on profit or loss in the amount of the difference between fair value and the asset's carrying value only occurs at the time when this asset is transferred to the owner. IFRIC 17 will have no effect on the consolidated financial statements, as no distribution of non-cash assets within the Group is expected.

## **IFRIC 18 - Transfers of Assets from Customers**

IFRIC Interpretation 18 was released in January 2009 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting of agreements in which an entity receives from a customer an item of property, plant, and equipment or cash which the entity must then use to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. In particular, the interpretation provides guidance on how to account for customer contributions as well as the time and scope of income recognition from such business transactions. The interpretation will have no effect on the consolidated financial statements, as the Group does not conduct such business transactions.

The IASB and IFRIC released the following standards and interpretations which have not yet been adopted as EU law. These standards and interpretations were not mandatory in fiscal year 2009 and are not applied by the Group.

## **IFRS 2 - Share-Based Payment**

The IASB issued amendments to IFRS 2 in June 2009 concerning the accounting for group cash-settled share-based payment transactions. They contain a clarification as to how an individual subsidiary should account for certain share-based payment arrangements in its own (separate) financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments also incorporate guidance into IFRS 2 which was previously included in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "Group and Treasury Share Transactions acc. to IFRS 2". As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for fiscal years beginning on or after June 30, 2010 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any effect on the Company's consolidated annual financial statements.

## **IFRS 9 - Financial Instruments**

In November 2009, the IASB released the new standard IFRS 9 for the classification and measurement of financial assets. The publication of IFRS 9 closes phase 1 of a three-part IASB project for the complete revision of accounting for financial instruments and will thus replace IAS 39. IFRS 9 contains a new and less complex approach to the classification and measurement of financial assets. There are now just two instead of four measurement categories for financial assets. Initial application of IFRS 9 is mandatory as of January 1, 2013. In line with the requirements of the G20, however, voluntary earlier adoption is already permissible for fiscal year ending in 2009 or later. The Group has not yet finished analyzing the possible effects on the consolidated annual financial statements.

## **IAS 24 - Related Party Disclosures**

In November 2009, the IASB released the revised IAS 24. The revision first of all simplifies reporting obligations for companies in which the state has a holding (so-called state-controlled entities). In addition, the definition of related party was fundamentally revised. Application of the revised standard is mandatory for fiscal years beginning on or after January 1, 2011. The Group has not yet finished analyzing the possible effects on the consolidated annual financial statements.

## **IAS 32 - Financial Instruments: Presentation**

In October 2009, the IASB released amendments to IAS 32 regarding the classification of rights issues. The standard clarifies those cases in which rights are issued in a currency different to the company's functional currency. The published amendments to IAS 32 are the IASB's swift reaction to the financial market crisis which saw an increase in the number of such cases as companies increasingly attempted to raise additional capital. The amendments are to be applied in fiscal year beginning on or after February 1, 2010. Earlier adoption is possible. Due to a lack of relevance, the amended standard will not affect the Company's consolidated annual financial statements.

## **Annual Improvement Project - Improvements to IFRS 2009:**

On April 16, 2009 the IASB released the second final standard with amendments to existing IFRS (Omnibus Standard). The Annual Improvement Project 2007 – 2009 made minor amendments to a total of twelve standards. The adopted amendments are applicable for fiscal years beginning on or after January 1, 2010; with the exception of amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, which must already be applied for fiscal years beginning on or after July 1, 2009. The following amendments are of particular interest, although their application will have no significant effect on the Company's consolidated annual financial statements:

- ▶ IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: clarification that other IFRS standards apart from IFRS 5 are only relevant for disclosure obligations if they require special disclosures for non-current assets (so-called disposal groups) classified as held for sale or discontinued operations.
- ▶ IFRS 8 “Operating Segments”: disclosure of information about segment assets must only be made if these are reported internally.
- ▶ IAS 7 “Statement of Cash Flows”: clarification that only those expenditures leading to the carrying of an asset are to be recognized in cash flow from investing activities.
- ▶ IAS 36 “Impairment of Assets”: the amendment affects the level on which the goodwill impairment test is conducted.
- ▶ IAS 38 “Intangible Assets”: clarifications regarding the summary of intangible assets acquired in a business combination; it is sufficient in future if an intangible asset is separable together with a contract, an asset or a liability. Moreover, the measurement methods regarding the valuation of intangible assets acquired in a business combination were clarified or amended.
- ▶ IAS 39 “Financial Instruments: Recognition and Measurement”: clarification that fair value changes recognized in equity of a hedging instrument from cash flow hedges for planned transactions which lead to the carrying of a financial instrument (for example foreign currency revenue) and financial instruments carried in the balance sheet must be reclassified in the income statement (so-called reclassification adjustment), if the underlying transaction is recognized in the income statement.

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

In November 2009, the IFRIC issued an amendment to IFRIC 14, which is of relevance if a company which has to meet minimum funding requirements in connection with its pension plans makes prepayments to such plans. The amendments are effective for fiscal years beginning on or after January 1, 2011. The application of amended IFRIC 14 will have no effect on the Company’s consolidated annual financial statements.

#### IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

This interpretation contains guidelines on the treatment of transactions also known as “Debt for Equity Swaps”. It clarifies the IFRS requirements in the case that a company renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments of the company for the full or partial extinguishing of the financial liability. IFRIC 19 is to be applied in fiscal years beginning on or after July 1, 2010. Due to a lack of relevance, this interpretation will not affect the Company’s consolidated annual financial statements.

### 2.4 Summary of significant accounting and valuation methods

#### Revenue recognition

The AdLINK Group is one of Europe’s leading independent advertising networks. The specialist companies belonging to the AdLINK Group offer advertising customers a range of online marketing and sales solutions in the field of affiliate and domain marketing. In the case of revenue recognition, a distinction must be made between the Group’s various specialists.

## **Domain Marketing**

The Company 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).

The Company generates revenue in the form of sales commissions 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. The Company recognizes income in sales at the time of invoicing. 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" for advertising purposes. The Company receives performance-based payment on a monthly basis from the advertising partner on a pay-per-click basis. The monthly payments credited by the advertising partner are recognized as revenue. Payments to the domain owners for the provision of the domain are not deducted (gross method).

The Company also trades itself with domains. Sales income is recognized and disclosed as revenue in the case of a completed sale (money received) in the amount of the agreed sales price.

## **Affiliate Marketing**

In the field of Affiliate Marketing, the Company operates an online advertising platform. This is a performance-based online 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 fee for the successful brokerage of customers. The aim of the platform is to create an efficient link and communication between advertisers and website operators.

As the operator of this platform, the Company guarantees the smooth operation of the platform, and is responsible for 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 fees generated, in accordance with the contractual terms of the affiliates.

Advertisers are supported and advised by affilinet 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 cost of sales.

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. The exception are currency differences from loans in foreign currencies, providing they are used to hedge a net investment in a foreign operation. These are carried directly in equity until the sale of the net investment and only recognized in the period result on disposal. 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 currency 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.

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). 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.

The exchange rates for the main currencies of the AdLINK Group developed as follows:

(in relation to one euro)	Closing rate		Annual average rate	
	Dec. 31, 2009	Dec. 31, 2008	2009	2008
US dollar	1.4406	1.3917	1.3948	1.4708
Pound sterling	0.8909	0.9525	0.8909	0.7963

## 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 depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

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 on elimination in other operating income or other operating expenses.

Depreciation is based on the following useful life periods:

	<u>Useful life in years</u>
Leasehold improvements	Up to 10
Vehicles	5 to 6
Other operational and office equipment	3 to 10
Office equipment	5 to 13

Leasehold improvements are depreciated either over their respective useful lives or over the lease period if shorter.

## Borrowing costs

Borrowing costs are expensed in the period incurred, providing that they cannot be allocated directly to the purchase, construction or manufacture of a qualified asset. In this case they are allocated to manufacturing costs, in accordance with IAS 23, and thus capitalized.

## Business combinations and goodwill

Business combinations are accounted for using the purchase method. On initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date.

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 cost less cumulative impairment charges and not amortized in scheduled amounts. Goodwill is subjected to an impairment test at least once annually or whenever there is any indication of impairment. The Company undertakes the annual impairment test for goodwill on the balance sheet date.

Goodwill acquired in the course of a business combination is allocated from the date of acquisition to a cash-generating unit of the Group. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

An 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 re-coverable amount, the asset is regarded as impaired and is written down to its re-coverable amount.

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 the following fiscal year of the respective cash-generating unit, as well as on the basis of external sector-related market studies and management expectations of cash-flow forecasts for a detailed planning period of a further 3 to 4 years. Cash flows after this five-year period are extrapolated on the basis of an annual growth rate of 2%.

The main management assumptions used for the calculation of fair value less selling costs include assumptions about the development of sales, margins, costs and discounted interest rates.

#### 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 definable and those with non- definable useful lives.

Intangible assets with definable 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 definable 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. The exception to this rule is amortization of acquired intangible assets resulting from a business combination, which are disclosed as a separate item in the income statement.

In the case of intangible assets with non-definable 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 a non-definable useful life is reviewed annually to ascertain whether the assumption of a non-definable useful life is still justified. If this is not the case, a prospective change is made from non-definable useful life to definable 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

\* A trademark is only classified as an intangible asset with an non-definable useful life if there are no management plans to discontinue the future use of the brand at the respective balance sheet date and no other objective grounds against such classification.

#### Investments in associated companies

Investments in associated companies are valued according to the equity method. An associated company (at-equity investment) is defined as an entity over which the Ad-LINK 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 companies 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.

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.

#### 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 receivables, 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 transaction day. 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, 2009.

#### **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, 2009.

### **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.

Until their sale in 2009, shares in Goldbach Media AG were classified as available-for-sale financial assets.

### **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 models. These valuation models 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 expected future discounted cash flows and the use of other appropriate valuation models.

### **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, 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 experience values. The recognized write-downs and receivables are eliminated in the period in which they are classified as uncollectible. The Company mainly bases impairment on due date bands: receivables which are overdue by more than 90 days are impaired by 25%, while receivables overdue by more than 120 days are impaired by 100%.

### **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. Revaluations of the same asset from previous periods recognized directly in equity are netted directly 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 costs up to the time of sale. The Company's inventories consist of domains purchased for resale purposes. The holding period of such domains depends on how attractive/marketable the respective domains are. A longer holding period indicates a less attractive/marketable domain. The reduced marketability of a domain is interpreted as a declining sales prospect, which reduces the recoverable net sales revenue as a result of higher costs up to the time of sale in conjunction with lower sales price expectations. In addition to such write-downs for slow-moving products, the Company also tests the domain portfolio on each balance sheet date for signs of a sharper fall in the net realizable value than which indicated by the underlying write-downs for slow-moving products.

On the basis of their residual values, corresponding write-downs are made on domains at the end of each fiscal year, which increase over time. The write-downs are made initially at the end of the fiscal year following purchase. After a holding period of seven years, the Company regards the probability of sale as almost zero and thus zero is assumed for the sake of simplicity. The size of the write-downs for slow-moving products and the varied amounts over time represent the best-possible estimation and are subject to corresponding uncertainties.

The write-downs for slow-moving products over time are as follows:

	n	n+1	n+2	n+3	n+4	n+5	n+6	n+7
Carrying value	100.0%	85.7%	71.4%	57.1%	42.9%	28.6%	14.3%	0.0%
Write-down as ratio of carrying value		14.3%	16.7%	20.0%	25.0%	33.3%	50.0%	100.0%

#### 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 three 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, 2009.

##### **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. 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 in financial expenses.

## 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 the plans are carried as stock-based remuneration plans with settlement via equity instruments.

It should be noted that 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 is today.

The current employee stock ownership plan, based on virtual stock options (so-called Stock Appreciation Rights or SARs), is such a stock-based remuneration plan with contractual choice. This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with 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 in the current fiscal year 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 the Company's employee stock ownership plans granted to employees is calculated on the basis of option price models (generally binomial models).

## Leasing

Leasing contracts are 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**

The tax expense of a period comprises current and deferred taxes. Taxes are recognized in the income statement, unless they relate to items which are recognized directly in equity or in other comprehensive income.

The current tax expense is calculated according to the tax regulations – valid on the balance sheet date or soon to be valid – of those countries in which subsidiaries and associated companies operate and generate taxable income. Management regularly checks tax declarations, especially with regard to content open to interpretation, and if necessary forms provisions based on the amounts expected to be submitted to the tax authorities.

### **Deferred taxes**

According to IAS 12 "Income Taxes", deferred taxes are to be formed for temporary differences between the carrying value of assets and liabilities in the balance sheet and their fiscal carrying value (Liability Method). Deferred tax assets and liabilities are formed for temporary differences which may lead to taxable or deductible amounts when calculating the taxable income of future periods, unless the different carrying amounts result from initial recognition of an asset or liability for a business transaction other than a business combination and which influenced neither pre-tax earnings nor taxable income at the time of the transaction (Initial Differences).

Deferred tax assets resulting from temporary differences in connection with investments in subsidiaries and associated companies are recognized unless the timing of the reversal of temporary differences can be determined by the Group and it is probable that the temporary differences will not reverse in the foreseeable future as a result of this influence.

Deferred taxes are measured using the tax rates (and tax regulations) which apply on the balance sheet date or which have been generally adopted and whose validity is expected at the time when deferred tax assets are recognized or deferred tax liabilities are settled. The effect of changes in tax rates and tax regulations on tax assets and liabilities are generally considered in profit or loss, unless the deferred tax assets and liabilities are formed without affecting net income.

Deferred tax assets and liabilities are netted if there is a correspondingly enforceable legal claim to netting and if the deferred tax assets and liabilities refer to income taxes levied by the same tax authority, either for the same tax subject or different tax subjects, who intend to settle the amount on a net basis.

## 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.

### 2.5 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 future periods, 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 non-definable 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 10 "Impairment of goodwill and intangible assets with unlimited useful lives" for further details.

Significant management assumptions with regard to determining the fair value of goodwill include assumptions concerning the development of sales, of margins and of the discounted interest rate, and for the valuation of trademarks with non-definable useful lives assumptions concerning alternative licensing rates, and the development of sales and the discounted interest rate. In the course of an impairment test, sensitivity analyses were also conducted. However, these did not lead any, or any significant, impairments.

#### 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 significant and/or expected permanent impairment which must be expensed in the income statement. In fiscal year 2009, there was no impairment need, whereas in fiscal year 2008 there was a write-down with effect on net income amounting to € 7.9 million.

### Deferred tax assets

IAS 12 requires that deferred tax assets are formed for all unused tax loss carryforwards and tax credits. Deferred tax assets are carried in the amount that it is probable that taxable income will be available against which the temporary differences and unused tax losses can be used. Individual company units are assessed individually as to whether it is probable that there will be a positive tax result.

### Share-based payments

The cost of share-based payments in the form of equity instruments as remuneration for the work of employees (see Note 30 "Employee stock ownership plans") is measured using the fair value of these equity instruments at the moment they were granted. A suitable and recognized 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. In accordance with the long-term nature of such remuneration agreements, such estimates are subject to considerable uncertainty.

The assumed option maturities and dividend returns are based on historical data and estimations, and thus do not necessarily correspond to the actual future exercise behavior of beneficiaries or actual achieved dividend returns. 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.

Virtual stock option programs also require an assumption on how claims from share-based payments are to be settled, which may not necessarily occur in this way at the time of settlement.

The expenses to be recognized in future in the income statement, as calculated on the basis of the assumptions and estimations made, amount to €422k (prior year: €1,037k) as of December 31, 2009.

### 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 impairment volume with regard to expected payment behavior and creditworthiness of customers are subject to significant uncertainties. As of the balance sheet date, adjustments of €2,000k (prior year: €2,039k) were made. For further details, please refer to Note 16 "Trade accounts receivable".

### 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. The classification of the useful life of an intangible asset as unlimited is an assumption based on available information and management expectations as of the balance sheet date and subject to uncertainties with regard to future developments.

### Write-downs for slow-moving inventories (domains)

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary costs up to the time of sale. As the holding period of the domains increases (> 12 months), the Company makes write-downs which increase over time. Both the size and distribution over time of such write-

downs represents a best-possible estimation of net realizable value and is thus subject to uncertainties. The carrying values of inventories as of the balance sheet date amounted to €5,591k (prior year: €4,433k). For further details, please refer to Note 17 "Inventories".

#### Accounting for business combinations

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.

However, assumptions made to determine the respective fair value of these assets and liabilities as of the date of acquisition are subject to significant uncertainties. For the identification of intangible assets, depending on the type of intangible asset and complexity of determining its fair value, the Company either uses the independent appraisal of an external assessor or fair value is determined internally using a suit-able assessment technique, generally based on a forecast of total expected future cash flow generation. These valuations are closely related to assumptions which management has made about the future development of the respective assets and the applicable discounted interest rate.

The carrying values of intangible assets resulting from business combinations (excluding goodwill) amounted to €2,018k (prior year: €3,095k) as of the balance sheet date.

#### 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 Note 27 "Other accrued liabilities".

### **3. Corporate transactions**

#### ***Transactions in fiscal 2009***

##### **Sale of Display Marketing activities to Hi-media S.A.**

AdLINK Internet Media AG and Hi-media S.A. signed a business combination agreement on July 6, 2009. Under the terms of this agreement, AdLINK Internet Media AG sold its Display Marketing segment (with the brands AdLINK Media, composite and net:dialogs) to Hi-media S.A. The transaction was closed on August 31, 2009.

AdLINK Internet Media AG received 10.7% of shares in Hi-media S.A. (4,735,000 shares) and an additional €12,194,828.00 in cash as the purchase price. In the case of the cash component, AdLINK Internet Media AG granted Hi-media S.A. a vendor loan at a standard market interest rate. The loan is to be repaid no later than June 30, 2011 and is disclosed under non-current financial assets (see also Note 20 "Other financial assets (long-term)"). After the purchase price adjustment was finally determined, the total purchase amounted to €28,571,244. The purchase price adjustment was paid cash and had no influence on the cash component as well as the number of shares

As a result of the sale of the Display Marketing segment, the results of this segment are disclosed as separate items in the statement of comprehensive income, in accordance with IFRS 5. The prior-year figures of the statement of comprehensive income and the cash flow statement were adjusted accordingly. The classification as discontinued operations was made on the date of the contract conclusion. The results of the units sold are included in the result of the discontinued operation until the date of sale (August 31, 2009).

The result component attributable to discontinued operations carried in the income statement is shown below:

<b>Figures in €</b>	<b>2009</b>	<b>2008</b>
Sales revenue	37,167	79,509
Cost of sales	-30,761	-64,941
Gross profit	<u>6,406</u>	<u>14,568</u>
Selling and administrative expenses	-7,125	-13,282
Other income / expenditure	-862	379
Goodwill amortization	-	-2,814
Financial result	2	-149
Result before taxes	<u>-1,579</u>	<u>-1,298</u>
Attributable income taxes	771	-2,086
Current result from discontinued operations	<u>-808</u>	<u>-3,384</u>
Result from disposal of discontinued operations	22,128	-
Attributable income taxes	-248	-
Result from discontinued operations	<u><u>21,072</u></u>	<u><u>-3,384</u></u>

The balance sheet items attributable to discontinued operations which were contained in the balance sheet as at December 31, 2008 are shown below. As at December 31, 2009, items attributable to discontinued operations are no longer included.

<b>Figures in €</b>	<b>Balance sheet items as at Dec. 31, 2008</b>	<b>thereof discontinued operations</b>	<b>thereof continued operations</b>
Trade accounts receivable	42,342	28,169	14,173
Receivables from affiliated companies	761	92	669
Other non-financial assets	826	363	463
Other financial assets	4,043	695	3,348
Current assets of discontinued operations	-	29,319	-
Property, plant and equipment	1,961	645	1,316
Intangible assets (excl. goodwill)	4,857	195	4,662
Goodwill	64,394	3,630	60,764
Deferred tax assets	1,898	219	1,679
Non-current assets of discontinued operations	-	4,689	-
Trade accounts payable	47,368	27,839	19,529
Liabilities due to affiliated companies	30,287	21	30,266
Accrued taxes	1,808	449	1,359
Other current liabilities	7,282	3,371	3,911
Current liabilities of discontinued operations	-	31,680	-

The disposal result is calculated as follows:

<b>Figures in €k</b>	<b>2009</b>
Purchase price (cash component)	12,195
Purchase price (shares)	20,313
Purchase price adjustment	-3,937
Purchase price, total	<u>28,571</u>
Derecognition of goodwill	-3,630
Derecognition of net debt	2,383
Derecognition of currency translation items	-333
Impairment of non-current assets	-63
Ancillary transaction costs	-4,800
Profit from the disposal of discontinued operations	<u><u>22,128</u></u>

The derecognition of net debt of discontinued operations is calculated as follows:

<b>Figures in €k</b>	
Intangible assets	15
Property, plant and equipment	504
Trade accounts receivable	20,902
Other non-financial assets	581
Cash and cash equivalents	1,156
Trade accounts payable	22,038
Other liabilities	2,650
Provisions	325
Currency translation adjustments	528
Net debt	<u>2,383</u>

### **Sale of shares in Hi-media S.A.**

The 10.7% equity interest (4,735,000 shares) acquired in Hi-media S.A. in a contract dated July 6, 2009 was sold to United Internet Beteiligungen GmbH, Montabaur, in a purchase contract dated September 29, 2009. The purchase price was determined on the basis of the Euronext closing price (€ 4.59) of September 28, 2009. The resulting total purchase price of € 21,733,650.00 was received by AdLINK Internet Media AG on September 30, 2009 and used to reduce financial liabilities. The Group made a profit of € 1,420,500 on the sale, which is contained in "Other operating income".

## Sale of shares in Goldbach Media AG

In a contract dated September 29, 2009 AdLINK Internet Media AG sold all its shares held in Goldbach Media AG (898,970 shares) to United Internet Beteiligungen GmbH, Montabaur. The purchase price totaled €23,330,069.00, based on the SIX Swiss Exchange closing rate on September 29, 2009 of CHF 39.25 and the reference exchange rate of the German Federal Bank (Bundesbank) of 1.5124 CHF/EUR (€29.952 per share). The Group made a profit of €11,283,266 on the sale, which is contained in "Other operating income".

The purchase price was received by the Company on September 30, 2009 and used to reduce financial liabilities.

## Acquisition of the business of RevenueDirect.com

On February 25, 2009 a contract was signed between Sedo USA and Dotster Inc., Vancouver (Washington) / USA and Registrarads Inc., Vancouver (Washington) / USA to acquire the domain parking business of "RevenueDirect.com". As part of the purchase agreement, the customer base, the RevenueDirect brand and all attendant software of the domain parking service supplier were acquired.

The acquisition costs amount to €573k (US\$ 825k); no ancillary acquisition costs were incurred. The following values were included in the consolidated interim financial statements:

	Carrying values at time of acquisition in €k	Adjustments in €k	Fair value at time of acquisition in €k
Goodwill	0	84	84
Other intangible assets	573	221	794
<b>Total acquired assets</b>	<b>573</b>	<b>305</b>	<b>878</b>
Deferred tax liabilities	0	305	305
<b>Total acquired liabilities</b>	<b>0</b>	<b>305</b>	<b>305</b>
<b>Purchase prices</b>			<b>573</b>
Of which settled in fiscal year 2009 by means of cash and cash equivalents			<b>573</b>

## Purchase agreement to acquire the remaining minority shares in Sedo GmbH

In a notarized contract dated September 29, 2009 the remaining minority shareholders of Sedo GmbH, Cologne, agreed to transfer all shares held by them (in total 24.06%) to AdLINK Internet Media AG in return for the subscription of 4,250,000 new shares in AdLINK Internet Media AG and a cash component of €5.5 million. The assignment of the shares is conditional on the registration of the completed capital increase of AdLINK Internet Media AG in the Commercial Register and payment of the cash component. The transaction was entered in the Commercial Register on November 20, 2009. Based on a share price of AdLINK Internet Media AG on this day of €3.20, the total value of the transaction amounted to €19.1 million.

The acquisition led to an increase in capital stock (€4,250k) and capital reserves (€9,350k) as a result of the mixed non-cash capital increase of €13,600k and an increase in goodwill of €14,794k, after netting with the previously disclosed minority interest in equity of €4,306k.

With the purchase agreement, the existing commitment to pay a guaranteed dividend was cancelled. The related liability carried in the balance sheet of €706k was reversed with an effect on net income. Otherwise, there were no significant effects on the income statement

due to the existing full allocation of profits of Sedo GmbH to consolidated earnings resulting from a profit transfer agreement in return for compensation (guaranteed dividend).

### **Transactions in fiscal 2008**

#### **Investment in DomainsBot Srl**

With economic effect from January 1, 2008, Sedo GmbH, Cologne / Germany acquired a minority holding of 40% in the Italian company DomainsBot Srl, Rom / Italy.

The investment involved a purchase price payment of € 120k to the shareholders for the acquisition of a 40% stake. Under the terms of the agreement, Sedo GmbH also undertook to make a direct contribution to the company's capital. The payment consists of a component not dependent on performance amounting to € 397k and a performance-related component of up to € 319k, which depends on the attainment of defined sales targets by DomainsBot in fiscal year 2007. The performance-related component was set at € 233k.

The acquisition costs therefore amount to a total of € 839k, of which € 89k relate to ancillary acquisition costs. The fair values of the assets and liabilities acquired are shown below:

	Carrying values at time of acquisition		Fair value at time of acquisition
	in €k	Adjustments in €k	in €k
Goodwill	0	1,173	1,173
Other intangible assets	82	342	424
Property, plant and equipment	11	0	11
Short-term assets	640	630	1,270
<b>Total acquired assets</b>	<b>733</b>	<b>2,145</b>	<b>2,878</b>
Deferred tax liabilities	0	109	109
Short-term liabilities	672	0	672
<b>Total acquired liabilities</b>	<b>672</b>	<b>109</b>	<b>781</b>
Net assets	<b>61</b>	<b>2,036</b>	<b>2,097</b>
Minority interests	37	1,221	1,258
<b>Acquired net assets</b>			<b>839</b>
<b>Purchase prices (including ancillary costs)</b>			<b>839</b>
Of which settled in fiscal year 2008 by means of cash and cash equivalents			<b>322</b>

A call option for a further 20% was also agreed between the parties for the period January 1, 2010 to December 31, 2010. The call option can be unilaterally exercised by Sedo Germany. The agreed payment for the additional shares is calculated on the basis of sales and pre-tax earnings of DomainsBot for the fiscal year 2009. If the option is exercised, 50% of the calculated amount is to be paid to the sellers and 50% as a contribution to the company's capital.

An acquisition payment of € 517k was already made in fiscal year 2007, subject to the legal assignment of share rights. In fiscal year 2008, disbursements of € 322k were made for the payment of the performance-related component amounting to € 233k and the ancillary acquisition costs of the transaction.

The company is consolidated as an associated company.

## **Foundation of Intellectual Property Management Company Inc.**

On November 21, 2008 Intellectual Property Management Company Inc. was founded in Dover, Delaware, USA, in which Sedo GmbH holds a stake of 49%. In the course of the foundation, Sedo GmbH committed itself to contribute US\$ 490k to the company.

A total of US\$ 175k of the contribution had been paid as of the balance sheet date. The remaining US\$ 315k was paid in January 2009.

There are also agreements with the company's partners with regard to two call options which Sedo GmbH can exercise in the fiscal years 2009, 2010 and 2011 concerning 32% of the company's shares and regarding an obligation to grant a loan of US\$ 210k to the company for the fiscal year 2009.

The company is consolidated as an associated company.

## **Sale of shares in AdLINK Internet Media AB**

In an agreement dated June 25, 2008 the shares held in AdLINK Internet Media AB, Stockholm / Sweden were sold. The sale and deconsolidation as of June 30, 2008 resulted in an expense of € 29k, of which € 16k was not cash-effective.

In the following explanations of income statement items, the prior-year values have been adjusted and only contain continued operations.

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

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Direct product costs	98,841	104,093
Impairment of inventories	1,242	937
Personnel expenditure	5,378	4,631
Depreciation	402	372
Other costs	1,291	1,399
	<u>107,154</u>	<u>111,432</u>

Direct product costs consist mainly of payments for marketed advertising space and the provision of the necessary technology costs for advertising. Cost of sales decreased in line with the decline in sales revenues.

## 5. Selling expenses

Figures in €k	2009	2008
Personnel expenses	4,921	4,223
Depreciation	301	260
Other costs	2,376	2,578
	<u>7,598</u>	<u>7,061</u>

Selling expenses rose by €0.5 million. The ratio of selling expenses to sales rose as a result by 0.7 percentage points to 5.6% (prior year: 4.9%).

## 6. General and administrative expenses

Figures in €k	2009	2008
Personnel expenses	7,559	7,842
Depreciation	556	658
Other costs	4,516	4,747
	<u>12,631</u>	<u>13,247</u>

General and administrative expenses fell by €0.6 million. The ratio of general and administrative expenses to sales remained unchanged at 9.3%. The decline in personnel expenses was due to higher costs from employee stock ownership plans in the previous year.

## 7. Other operating expenses

Figures in €k	2009	2008
Currency losses	3,585	3,595
Accounts receivable losses and new allowances for trade receivables	754	910
Expenses for litigation risks and compensation	-	245
Other	320	256
	<u>4,659</u>	<u>5,006</u>

Other operating expenses fell by €0.3 million compared to the previous year. This mainly due to the fact that there were no expenses for litigation risks and compensation in fiscal year 2009.

## 8. Other operating income

Figures in €k	2009	2008
Currency gains	3,941	2,559
Reversal of allowances for trade receivables	171	210
Income from the reversal of provisions for litigation risks and compensation	140	378
Disposal income Goldbach Media AG	11,283	-
Disposal income Hi-media S.A.	1,421	-
Other	1,719	379
	<u>18,675</u>	<u>3,526</u>

Other operating income increased strongly by €15.1 million compared with the previous year. In addition to income from the sale of shares in Goldbach Media AG and Hi-media S.A. totaling €12.7 million, currency gains also rose by €1.4 million.

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

Amortization of individual assets was as follows:

Figures in €k	2009	2008
Customer base	1,130	1,001
Internet platform	376	376
Software	328	278
Trademarks	43	-
	<u>1,877</u>	<u>1,655</u>

Amortization of capitalized intangible assets resulting from business combinations is disclosed separately in the income statement. There is no assignment to individual functional divisions. The increase in amortization resulted from acquiring the business of RevenueDirect.com.

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

### Goodwill

Goodwill is to be subjected to an impairment test at least once a year. As in the previous year, a scheduled review was conducted on the balance sheet date. The re-view was made on the level of the cash-generating units to which goodwill has been assigned. The Group has defined three cash-generating units in total. The individual reporting units correspond to subsidiaries of AdLINK Internet Media AG.

	Carrying value on Jan. 1, 2008	Disposals / Amortization	Carrying value on December 31, 2008	Additions	Disposals	Carrying value on December 31, 2009
<b>Affiliate Marketing</b>	<b>25,001</b>	<b>-6,430</b>	<b>18,571</b>	-	-	<b>18,571</b>
affilinet Germany	11,917	-	11,917	-	-	11,917
affilinet France	13,084	-6,430	6,654	-	-	6,654
<b>Domain Marketing</b>	<b>42,193</b>	-	<b>42,193</b>	<b>14,879</b>	-	<b>57,072</b>
Sedo Germany	42,193	-	42,193	14,794	-	56,987
RevenueDirect	-	-	-	85	-	85
<b>Continued operations</b>	<b>67,194</b>	<b>-6,430</b>	<b>60,764</b>	<b>14,879</b>	-	<b>75,643</b>
<b>Display Marketing</b>	<b>6,444</b>	<b>-2,814</b>	<b>3,630</b>	-	<b>-3,630</b>	-
<b>(Discontinued operations)</b>						
AdLINK Media Germany	1,631	-1,631	-	-	-	-
AdLINK Media Belgium	440	-	440	-	-440	-
AdLINK Media France	1,183	-1,183	-	-	-	-
AdLINK Media Italy	264	-	264	-	-264	-
AdLINK Media Netherlands	1,200	-	1,200	-	-1,200	-
AdLINK Media Spain	1,726	-	1,726	-	-1,726	-
<b>Total goodwill</b>	<b>73,638</b>	<b>-9,244</b>	<b>64,394</b>	<b>14,879</b>	<b>-3,630</b>	<b>75,643</b>

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 (see also Note 2.5 "Significant accounting judgments, estimates and assumptions"). The range of the most important parameters can be seen from the table below.

The value-in-use calculation is based on a discounted cash-flow valuation. As in the previous year, the discounted interest rate used for the cash flow forecasts was between 13% and 14%, according to the respective cash-generating unit.

<b><u>Main assumptions</u></b>		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>&gt;2013</b>
Sales growth	Max	13.28%	24.42%	26.80%	22.50%	2.00%
	Min	-22.18%	18.38%	13.00%	13.05%	2.00%
Profit margin	Max	5.19	0.01	3.90	-0.50	0.00
growth (in percentage points)	Min	-1.30	-2.85	-3.84	-2.90	0.00

<b><u>Main assumptions in the previous year</u></b>		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>&gt;2013</b>
Sales growth	Max	28.42%	11.52%	12.25%	12.20%	12.02%	2.00%
	Min	-58.55%	-28.56%	8.17%	7.91%	7.38%	2.00%
Profit margin	Max	3.30	2.30	-0.50	0.00	0.00	0.00
growth (in percentage points)	Min	-1.69	-2.00	-2.00	-2.00	-2.00	0.00

In the course of the scheduled impairment test on the balance sheet date, no goodwill impairment was discovered for the period under review (prior year: €9,244k).

#### 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 4% (prior year: 4%). The tax amortization benefit factor was calculated on the basis of the unit which the trademark was allocated to. The asset-specific discount rate amounted to 12.53%. The review resulted in an impairment of €79k (prior year: €45k). The impairment is recognized as a cost of sales. The carrying values of intangible assets classified as having unlimited useful lives developed as follows in the period under review:

in €k						
	Carrying value on Jan. 1, 2008		Carrying value on Dec. 31, 2008 / Jan. 1, 2009	Currency translation differences		Carrying value on Dec. 31, 2009
		Change			Change	
affilinet®	433	0	433	n/a	0	433
Sedo®	179	0	179	n/a	0	179
GreatDomains®	161	-36	125	40	-79	86
Total	773	-36	737	40	-79	698

## 11. Financial result

Figures in €k	2009	2008
Interest expense for loans and overdraft facilities from third parties	-1,064	-829
Interest expense from the guaranteed dividend to minority shareholders	-26	-44
Interest expense for loans and overdraft facilities from affiliated companies	-	-1,489
<b>Interest expense</b>	<b>-1,090</b>	<b>-2,362</b>
Interest income from credit balances with banks	59	168
Interest income from loan receivable	150	-
<b>Interest income</b>	<b>209</b>	<b>168</b>
<b>Interest result</b>	<b>-881</b>	<b>-2,194</b>
Dividends	<b>339</b>	<b>772</b>
Write-downs on financial assets	-	-7,894
<b>Other financial result</b>	<b>339</b>	<b>-7,122</b>
<b>Financial result</b>	<b>-542</b>	<b>-9,316</b>

In fiscal year 2009, the interest result improved strongly compared with the previous year as a result of reduced debt. The other financial result of fiscal year 2009 also improved, whereas an adjustment to shares in Goldbach Media AG with an effect on profit and loss in the previous year amounted to €7.9 million.

## 12. Shares and result of associated companies

Figures in €k	2009	2008
<b>Carrying value at beginning of the fiscal year</b>	<b>1,153</b>	-
Additions	-	1,213
Earnings contributions	-254	-60
<b>Carrying value at end of the fiscal year</b>	<b>899</b>	<b>1,153</b>

The additions in fiscal year 2008 concern the foundation of IPMC and the acquisition of a 40% investment in DomainsBot, as already described under Note 3 "Corporate transactions".

The result from associated companies is composed as follows.

Figures in €k	Stake	2009	2008
DomainsBot	40%	6	-19
IPMC	49%	-260	-41
<b>At-equity result</b>		<b>-254</b>	<b>-60</b>

The following table contains summarized financial information on associated companies.

Figures in €k	2009	2008
<b>Balance sheet figures (pro rata acc. to shareholding)</b>		
Current assets	163	398
Non-current assets	52	71
Current debts	31	31
Non-current debts	-	-
Equity	184	438
<b>P&amp;L figures (pro rata acc. to shareholding)</b>		
Sales revenue	456	207
Period result	-254	-42

### 13. Income taxes and deferred taxes

Income taxes for the period under review are composed as follows:

	2009	2008
	€k	€k
Income taxes for earlier periods	-289	-30
Income taxes for the current period	-3,519	-2,820
Change in deferred tax liabilities	299	521
Change in deferred tax assets	-483	-492
	<b>-3,992</b>	<b>-2,821</b>

Actual income taxes relating to previous years mainly result from tax rebates due to favorable court decisions regarding uncertain tax positions, as well as from decisions concerning open tax liabilities of previous years.

Under German tax law, income taxes comprise corporate income tax and trade earnings tax together with the solidarity surcharge. As a result of the German Corporate Tax Reform 2008, the corporation tax rate was reduced to 15.0% as of January 1, 2008 (plus a solidarity surcharge of 5.5%).

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 average trade tax burden before additional expenses of the German companies was 14.8% (prior year: 14.8%).

The Group tax rate of 30.6% (prior year: 30.6%) for the current fiscal year results from the currently valid corporate tax rate, including solidarity surcharge and the trade tax burden.

The Group's deferred taxes are composed as follows:

	<b>2009</b>	<b>2008</b>
	<b>€k</b>	<b>€k</b>
Deferred tax assets due to		
– tax loss carryforwards	253	1,290
– differing carrying amounts and consolidation adjustments	1,163	609
Total deferred tax assets	<u>1,416</u>	<u>1,899</u>
Deferred tax liabilities due to		
differing carrying amounts and consolidation adjustments	678	977
Total deferred tax liabilities	<u>678</u>	<u>977</u>

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

<b>In €k</b>	<b>2009</b>	<b>2008</b>
<b>Result before taxes</b>	<b>19,272</b>	<b>-7,718</b>
<b>Tax rate</b>	<b>30.60%</b>	<b>30.60%</b>
<b>Anticipated income tax income/expense</b>	<b>-5,897</b>	<b>2,362</b>
Goodwill amortization non-deductible for tax purposes and recognized impairment	-404	-4,613
Non-recognition of deferred tax assets on loss carryfor- wards of the reporting period	-182	-228
Differences in tax rates between AdLINK Internet Media AG and subsidiaries	-216	-309
Income, expenses and other effects non-deductible for tax purposes	3,268	-14
Deviation due to the measurement basis for trade tax	-194	0
Non-taxable at-equity results	-78	-19
Actual taxes relating to other periods	-289	0
<b>Actual income tax expense</b>	<b><u>-3,992</u></b>	<b><u>-2,821</u></b>

Income and expenses non-deductible for tax purposes result mainly from the earnings of the disposal of Hi-media S.A. and Goldbach Media AG shares.

In fiscal year 2009 there was tax income of €525k from discontinued operations, whereas in the previous year there was a tax expense of €2,086k.

In fiscal year 2009 there were no reversals from temporary differences due to matters which did not lead to the carrying of deferred tax assets or liabilities in the past.

In accordance with IAS 1, the short-term portions of deferred tax assets and liabilities are disclosed in the balance sheet under non-current assets and liabilities.

#### Deferred tax assets

As at December 31, 2009, deferred tax assets totaling €1.4 million (2008: €1.9 million) were recognized by certain Group companies, which resulted solely from net re-coverable temporary differences. The realizability of these deferred tax assets depends on the positive taxable income of the underlying planning.

The use of tax loss carryforwards amounted to €1.1 million in fiscal year 2009 (2008: €1.0 million). The total amount of non-capitalized deferred tax taxes for loss carryforwards comes to €0.6 million (prior year: €2.8 million), the total amount of capitalized deferred tax taxes for loss carryforwards is €0.3 million (prior year: €1.3 million).

The change in deferred tax assets was as follows:

	<b>2009</b>	<b>2008</b>
	<b>€k</b>	<b>€k</b>
Carrying value at beginning of the fiscal year	1,899	3,296
New recognition	893	585
Utilization	1,157	979
Allowances	0	1,003
Disposal acc. to IFRS 5	219	-
Carrying value at end of the fiscal year	1,416	1,899

As of the balance sheet date, there were only loss carryforwards of Response Republic Beteiligungsgesellschaft Deutschland GmbH amounting to €3.8 million, which cannot be used due to the existing profit transfer agreement with AdLINK Internet Media AG. Other loss carryforwards as of the balance sheet date were utilized in the period under review or were disposed of with the sale of the Display Marketing segment. There were therefore no deferred tax assets from loss carryforwards as of the balance sheet date.

#### Deferred tax liabilities

Deferred tax liabilities of €678k (prior year: €977k) result from the different treatment of capitalized intangible assets from business combinations according to IFRS and in the tax balance sheet. Of this change compared to the previous year, an amount of €521k results from reversals according to depreciation recognized in the period under review. The capitalization of intangible assets from the acquisition of the Revenue Direct business had the opposite effect, resulting in a deferred tax liability of €305k. In accordance with annual depreciation charged, an amount of €83k was reversed.

## 14. 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 is-sued and stock ownership plans had been exercised.

On December 31, 2009, capital stock was divided into 30,455,890 registered no-par value shares having a theoretical share in the capital stock of € 1.00 (prior year: 26,205,890). As in the previous year, the Company held no treasury shares as of December 31, 2009. The weighted average number of shares used for the calculation amounted to 26,694,931 (prior year: 26,184,471) for fiscal 2009. Using this number of units results in undiluted earnings per share of € 1.36 (previous year: € -0.53).

Conversion rights must only be taken into consideration if there is a possible dilutive effect. All conversion rights existing on December 31, 2009 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. As the conversion rights as at December 31, 2009 were not in the money, no dilutive effects were considered. As a result, undiluted earnings per share of € 1.36 correspond to diluted earnings per share. In the case of a negative result, a dilutive effect does not need to be considered as the higher number of shares would result in an improvement of earnings per share. Diluted earnings per share thus amounted to € -0.53 in fiscal year 2008, based on the undiluted number of shares.

## 15. Cash and cash equivalents

Figures in €k	2009	2008
Cash and cash equivalents	6,548	12,022
Available-for-sale current assets	0	18
	<u>6,548</u>	<u>12,040</u>

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

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

## 16. Trade accounts receivable

Figures in €k	2009	2008
Trade accounts receivable from third parties	13,672	44,381
Bad debt allowances	-2,000	-2,039
Trade accounts receivable, net	11,672	42,342
Receivables from affiliated companies	27	761
Total trade accounts receivable, net	11,699	43,103

Trade accounts receivable do not bear interest and, depending on their geographic origin, are due between 30 and 90 days. The development of individual allowances in the period under review can be seen below:

Figures in €k	2009	2008
Allowances at the beginning of the fiscal year	2,039	1,671
Utilization	-212	-157
Reversals	-128	-964
Additions	1,143	1,592
Change in the consolidated group	-831	-
Effects from exchange rate changes	-11	-103
Allowances at the end of the fiscal year	2,000	2,039

The adjustments of the previous year include €979k attributable to discontinued operations. The expense for allowances for trade receivables, or the net balance from additions and reversals of allowances, amounts to €1,018k in fiscal year 2009 (prior year: €627k), of which €435k (prior year: €237k) is attributable to discontinued operations. 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". In the previous year, impairments of €164k for a fully adjusted long-term receivable paid in installments for customer finance were recognized in the "Other financial result".

The age profile of non-impaired trade accounts receivable as of the balance sheet date is as shown below:

<b>Figures in €k</b>	Trade accounts re- ceivable from third parties		Trade accounts re- ceivable from affiliated companies	
	December 31 2009	2008	December 31 2009	2008
Neither impaired nor overdue as of the balance sheet date	8,670	30,535	27	761
Not impaired as of the balance sheet date and overdue in the following time periods				
less than 30 days	1,986	6,583	-	-
between 31 and 60 days	626	2,538	-	-
between 61 and 90 days	356	1,372	-	-
between 91 and 120 days	-	154	-	-
more than 120 days	-	566	-	-
Total	2,968	11,213	-	-
Individually adjusted re- ceivables (net)	34	594	-	-
Carrying amount (net)	<u>11,672</u>	<u>42,342</u>	<u>27</u>	<u>761</u>

### **17. Inventories**

Inventories consist exclusively of a tradable portfolio of acquired domains, classified as available-for-sale. Expenses of €1,628k (prior year: €994k) recognized as cost of sales in the period under review included an amount of €1,242k (prior year: €937k) for write-downs on the domain portfolio.

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

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Registration fees for domains	291	328
Rent and associated costs	57	213
IT and phone costs (software / rent)	53	56
Others pre-paid services	180	228
Total	581	825

### **19. Other financial assets (short-term)**

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Accounts receivable from the tax office	3,738	3,405
Security deposits	67	177
Accounts receivable from employees	-	35
Other	364	426
Total	4,169	4,043

Security deposits mainly concern deposits for current rental agreements of various subsidiaries.

### **20. Other financial assets (long-term)**

Other financial assets (long-term) include an amount of €12,195k from the vendor loan granted in connection with the sale of the Display Marketing division to Hi-media (see also Note 3 "Corporate transactions"). Also included is a loan of €146k granted to Intellectual Property Management Company Inc., an associated company. Both items belong to the "loans and receivable" valuation category.

In the previous year, this item included shares in Goldbach Media AG which were classified as available-for-sale financial assets. These shares were sold in fiscal year 2009. Additions include 10.7% of shares in Hi-media S.A. (€20,313k), which were part of the sales price in connection with the sale of the Display Marketing division. These shares were subsequently sold to United Internet Beteiligungen GmbH. The development of long-term financial assets classified as available-for-sale is shown in the table below:

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Carrying value at beginning of the fiscal year	12,047	28,794
Additions to acquisition costs	20,313	-
Subsequent valuation	-	-16,747
recognized directly in equity	-	-8,853
recognized in profit and loss	-	-7,894
Disposals	-32,360	-
Carrying value at end of the fiscal year	-	12,047

### **21. Property, plant and equipment**

Capital expenditures for the expansion and modernization of office infrastructure and the server park, as well as for investments in rented property, office furniture and vehicles, amounted to €463k in the period under review (prior year: €1,258k).

The development of carrying values in the fiscal years 2009 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

### **22. Intangible assets**

An amount of €901k (prior year: €95k) was invested in intangible assets in fiscal year 2009. The amount mainly comprises additions from acquiring the business of RevenueDirect.com (€794k), whereby the acquired client base was the largest item. For further information, please refer to Note 3 "Corporate transactions". Other additions mainly comprise acquired standard software.

The development of carrying values in the fiscal years 2009 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

### **23. Trade accounts payable**

Trade accounts payable amounting to €17,091k (prior year: €47.368k) are owed to independent third parties with terms of less than one year. The strong decline results from the sale of the Display Marketing division, whose balance sheet items were still included in the previous year.

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

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Financial liabilities due to United Internet AG	-	29,838
Interest liabilities due to United Internet AG	7	270
Trade accounts payable	143	180
	<u>150</u>	<u>30,288</u>

The cash pooling agreement concluded in 2007 between AdLINK Internet Media AG and United Internet AG was terminated in December 2009. Up to this time, the AdLINK Group participated in the cash management system (cash pool) of the United Internet Group (see also Note 34 "Transactions with related parties"). As of the balance sheet date, there were therefore no financial liabilities owed to United Internet AG (prior year: €29,838k).

## **25. Liabilities due to banks**

### a) Liabilities due to banks

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Bank loans	1,400	15,000
Current account liabilities	-	79
Total	<u>1,400</u>	<u>15,079</u>

Bank loans of €1.4 million represent short-term borrowing from the money market using existing bank credit lines. The interest rate for the outstanding loan amounted to 2.5% as of the balance sheet date. The Group was able to pay off almost all its debts with the proceeds from the sale of its investments in Hi-media S.A. and Goldbach Media AG; there is now only short-term use of credit lines to cover peak needs.

### b) Credit lines

A credit line agreement amounting to €20 million which was due to expire was pro-longed in the period under review until May 7, 2010, with unchanged conditions. An existing current account overdraft amounting to US\$ 2 million was ended at the end of fiscal year 2009 at the request of the Company.

The available credit lines have variable interest rates. The interest rates of the respective money market loans are based on the EURIBOR, IBOR or EONIA rates, according to their term, plus a risk surcharge.

The AdLINK Group has the following credit lines with a total of three banks:

<b>Figures in € million</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
	<hr/>	<hr/>
Available credit lines and overdraft facilities	37.0	53.4
Utilization as of the balance sheet date	1.4	15.1
Unutilized credit lines as of the balance sheet date	<hr/> 35.6	<hr/> 38.3
Guarantees	0.5	0.5
Utilization as of the balance sheet date	0.4	0.3
Unutilized guarantees as of the balance sheet date	<hr/> 0.1	<hr/> 0.2

The credit lines have the following terms:

- € 20 million until May 7, 2010
- € 17.0 million and guarantees unlimited, until further notice

## **26. Accrued taxes**

The strong increase in accrued taxes of €2.3 million is due to increased taxable earnings of German Group companies. There are also no more tax loss carryforwards in Germany. The breakdown of accrued taxes according to country is as below:

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
Germany	3,904	1,378
Spain	-	201
Belgium	-	196
France	12	34
Netherlands	1	-
USA	204	-
Total	<hr/> 4,121	<hr/> 1,809

## **27. Other accrued liabilities**

Other accrued liabilities of €667k as of the balance sheet date (prior year: €818k) refer to litigation risks from legal disputes in France (see also Note 36 "Other financial commitments and contingencies"), and an amount of € 1,500k to losses from current contracts.

Figures in €k	2009	2008
<b>At the beginning of the fiscal year</b>	<b>1,018</b>	<b>1,034</b>
Utilization	139	83
Reversal	212	378
Addition	1,500	445
<b>At the end of the fiscal year</b>	<b>2,167</b>	<b>1,018</b>

## **28. Other current liabilities**

Figures in €k	2009	2008
Liabilities to the tax office (sales tax, wage tax etc.)	1,968	2,480
Personnel expenses (holidays, bonuses etc.)	930	1,985
Social security	154	708
Consultation (auditing fees, legal advice etc.)	760	420
Losses from current contracts	1,575	-
Guaranteed dividend to minority interests	-	250
Contribution to IPMC still outstanding	-	235
Others	691	1,204
<b>Total</b>	<b>6,078</b>	<b>7,282</b>

Other current liabilities fell by 16.5%. This decline is mainly due to the sale of the Display Marketing companies, which were still included in the prior-year figures.

## **29. Non-current liabilities due to minority interests**

A profit transfer agreement was signed between AdLINK Internet Media GmbH Deutschland and Sedo Germany in fiscal year 2006. As part of this agreement, compensation payments were agreed with the minority shareholders for the fiscal year 2007 to 2011, which were recognized at their present value in the income statement in fiscal year 2006. As a consequence of this profit transfer agreement and the agreed compensation payments, 100% of the profit shares of Sedo Germany are assigned to the result of the shareholders of AdLINK Internet Media AG for the duration of the profit transfer agreement. An amount of €26k (prior year: €44k) resulting from the discounting of the compensation payments was recognized as an interest expense in the period under review and the guaranteed dividend disclosed as a current liability in the previous year was paid out for fiscal year 2008.

In a notarized agreement dated September 29, 2009 and entry in the Commercial Register on November 20, 2009, the Company acquired the remaining 24.06% of shares in Sedo GmbH. As a result, the claims to the payment of a guaranteed dividend expired and the respective liabilities amounting to €706k were derecognized with an effect on the income statement.

### **30. Employee stock ownership plans**

The AdLINK Group's current employee stock ownership plan to enable managers and senior staff to participate in the Company's long-term success is based on virtual stock options. The plan was introduced in fiscal year 2007 and eight tranches have been issued so far.

There were also two further stock ownership plans from the past. One involves the issue of convertible bonds, and based on the existing Conditional Capital 2004 of Ad-LINK Internet Media AG. The last issue from this plan was in 2005. There was also an option agreement between the former Management Board member Stéphane Cordier and United Internet AG, concerning shares of the parent company of AdLINK Internet Media AG. This agreement expired with the retirement of Mr. Cordier from the Management Board of AdLINK Internet Media AG on September 30, 2009.

On the basis of the existing employee stock-option plans, a total amount of € 40k (prior year: € 1,422k) was expensed in fiscal year 2009, of which € 264k was allocated to discontinued operations. The amount attributed to continued operations was therefore € 304k. The item is included under "General and administrative expenses". Capital reserves were increased correspondingly by € 40k (prior year: € 1,422k).

#### **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 Ad-LINK 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.

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.

### Issues 2009

With a resolution of the Management Board on March 25, 2009 and approval of the Supervisory Board, a tranche was issued to a senior manager of the AdLINK Group. The resolution comprises a volume of 30,000 virtual stock options at an issuance price of €3.72 (Tranche F).

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued tranche comprises a volume of 100,000 units at an issuance price of €3.72 (Tranche G).

With a resolution of the Management Board of May 25, 2009 and approval of the Supervisory Board, a tranche was issued to two senior managers of the AdLINK Group. The issue comprises 70,000 virtual stock options at an issuance price of €4.32 (Tranche H). 30,000 units have already expired due to the departure in 2009 of an option beneficiary.

### Issues 2008

With a resolution of February 22, 2008 and approval of the Supervisory Board on February 26, 2008, a tranche was approved for issue to senior managers of the Ad-LINK Group. The resolution comprises a volume of up to 60,000 virtual stock options at an issuance price of €18.15 (Tranche C). 30,000 SARs and the respective option rights expired in 2009 due to the departure from the AdLINK Group of the employees concerned.

With the approval of the Supervisory Board, a resolution was adopted on March 6, 2008 to issue a tranche to the former Management Board member Stéphane Cordier. The issued tranche comprises a volume of 200,000 units at an issuance price of €18.60 (Tranche D). In an agreement dated September 29, 2009, Mr. Cordier waived his rights to the 200,000 SARs granted to him but not yet exercised.

With a resolution of October 30, 2008 and approval of the Supervisory Board on the same day, a tranche was approved for issue to senior managers of the AdLINK Group. The issue comprises a volume of 7,200 virtual stock options at an issuance price of €7.43 (Tranche E). The issued tranche has completely expired due to the departure of the option beneficiary in 2009.

### Issues 2007

There were two issues in 2007 as part of the employee stock ownership plan. With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, one issue comprised a volume of 230,000 virtual stock options at an issuance price of €15.51 (Tranche A). 160,000 SARs and the respective option rights have expired due to the departure from the AdLINK Group of the employees concerned (of which 70,000 in 2008 and 90,000 in 2009).

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 SARs at an issuance price of €17.41 (Tranche B).

## Summary of changes in the virtual stock option plans

The following table provides an overview of the changes in issued and outstanding virtual stock option plans:

	<b>Number of SARs</b>	<b>Average exercise price</b>
Outstanding on December 31, 2007	430,000	16.39 €
Issue	267,200	18.20 €
of which Tranche C	60,000	18.15 €
of which Tranche D	200,000	18.60 €
of which Tranche E	7,200	7.43 €
Expiry	70,000	15.51 €
of which Tranche A	70,000	15.51 €
Outstanding on December 31, 2008	627,200	17.26 €
Issue	200,000	3.93 €
of which Tranche F	30,000	3.72 €
of which Tranche G	100,000	3.72 €
of which Tranche H	70,000	4.32 €
Expiry	357,200	16.74 €
of which Tranche A	90,000	15.51 €
of which Tranche C	30,000	18.15 €
of which Tranche D	200,000	15.60 €
of which Tranche E	7,200	7.43 €
of which Tranche H	30,000	4.32 €
Outstanding on December 31, 2009	470,000	12.27 €

		<b>of which available for conver- sion on Dec. 31, 2009</b>	<b>2008</b>	<b>of which available for conver- sion on Dec. 31, 2008</b>
of which Tranche A	70,000	-	160,000	-
of which Tranche B	200,000	-	200,000	-
of which Tranche C	30,000	-	60,000	-
of which Tranche D	-	-	200,000	100,000
of which Tranche E	-	-	7,200	-
of which Tranche F	30,000	-	-	-
of which Tranche G	100,000	-	-	-
of which Tranche H	40,000	-	-	-

Mean weighted residual term (in months)

54

60

No SARs were available for conversion as of the balance sheet date (prior year: 100,000). The mean weighted residual term of SARs in months amounted to 54 as of December 31, 2009 (prior year: 60).

### Valuation of virtual stock option plans

Using a binominal model for option pricing, the fair value of Tranches A to H was calculated using the following assumptions and parameters.

Tranche	Issue date	Volume	Exercise price	Expected dividend yield	Expected volatility	Expected term	Risk-free interest	Fair value on issuance	Fair value per SAR (arith. average)
A	Sep. 3, 2007	230,000	15.51 €	0.0%	52.00%	5 years	4.01%	863,075 €	3.75 €
B	Nov. 28, 2007	200,000	17.41 €	0.0%	55.00%	5 years	3.86%	722,500 €	3.61 €
C	Feb. 22, 2008	60,000	18.15 €	0.0%	39.62%	5 years	3.61%	231,300 €	3.86 €
D	Mar. 6, 2008	200,000	18.60 €	0.0%	38.53%	5 years	3.51%	870,000 €	4.35 €
E	Oct. 30, 2008	7,200	7.43 €	0.0%	53.24%	5 years	3.24%	11,880 €	1.65 €
F	Mar. 25, 2009	30,000	3.72 €	0.0%	72.91%	5 years	2.61%	18,450 €	0.62 €
G	Mar. 30, 2009	100,000	3.72 €	0.0%	72.91%	5 years	2.47%	61,500 €	0.62 €
H	May 25, 2009	70,000	4.32 €	0,0%	77.96%	5 years	2.81%	53,550 €	0.77 €

The personnel expense for the virtual stock option plans was divided as follows:

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Tranche A	-76	173
Tranche B	235	244
Tranche C	6	64
Tranche D	-	870
Tranche E	-1	1
Tranche F	5	-
Tranche G	15	-
Tranche H	11	-
<b>Total</b>	<b>195</b>	<b>1,352</b>

### **Convertible bonds**

#### **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 (Tranches 5 and 6) were 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 €1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of €1 each. If the con-version 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; Further 25% of the convertible bonds can be converted after 36 months; further 25% after 48 month and the remaining 25% after 60 month. So full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

In fiscal year 2009, there was income of €155k from the balance sheet treatment of issued convertible bonds due to the expiry of the convertible bond following the departure from the AdLINK Group of the employees concerned. In the previous year, the personnel expense amounted to €70k. The expense or income for this employee stock ownership plan is included in general and administrative expenses (€76k) and in the result from discontinued operations (€79k).

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

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 €0.91 per share (total fair value: €364k). The following assumptions were made:

- Dividend yield: 0.00%
- 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 € 1.71 per share (total fair value: € 785k). The following assumptions were made:

- Dividend yield: 0.00%
- 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:

Figures in €k	Number of options	Average exer- cise price
Outstanding on December 31, 2007	461,630	3.37
Exercise	51,250	3.60
<i>of which the 6th tranche</i>	<i>51,250</i>	<i>3.60</i>
Return/Expiry	58,250	3.60
<i>of which the 6th tranche</i>	<i>58,250</i>	<i>3.60</i>
Outstanding on December 31, 2008	352,130	3.29
Return/Expiry	311,500	
<i>of which the 5th tranche</i>	<i>300,000</i>	<i>3.24</i>
<i>of which the 6th tranche</i>	<i>11,500</i>	<i>3.60</i>
Outstanding on December 31, 2009	40,630	3.60
<i>of which the 6th tranche</i>	<i>40,630</i>	<b>Thereof exer- cisable on Dec. 31, 2009 1,938</b>
Average weighted residual term (in months)	17	

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

In the previous year, 1,880 conversion rights of the 6th tranche and a further 100,000 conversion rights of the 5th tranche could be exercised as of the balance sheet date. The mean weighted residual term of outstanding conversion rights in months amounted to 28 as of December 31, 2008.

No conversion rights were exercised in the period under review. The weighted average closing share prices in Xetra trading for conversion rights exercised in the previous period amounted to € 13.47.

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

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
2009	-	23
2010	4	12
<b>Total</b>	<b>4</b>	<b>35</b>

As in the previous year, the final maturity of all convertible bonds outstanding as of the balance sheet date is in 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 €1.50 per share. The options were paid out to Mr. Cordier when he retired from the Management Board on September 30, 2009. Up to this point, no option rights had been exercised.

### **31. Capital stock**

By making partial use of Authorized Capital 2005 capital stock was increased in the period under review by a total of €4,250,000, from €26,205,890 to €30,455,890. The non-cash contribution comprises the outstanding minority interests in Sedo GmbH of 24.06%. On the balance sheet date, capital stock amounted to 30,455,890 registered shares each having a theoretical share in the capital stock of €1.

As of December 31, 2009 and 2008 the capital stock was held as follows:

	<b>2009</b>		<b>2008</b>	
	<b>€k</b>	<b>%</b>	<b>€k</b>	<b>%</b>
United Internet AG	23,836	78.26	23,771	90.71
Tim Schumacher	1,659	5.45	-	-
Free float	4,552	14.95	2,330	8.89
Management Board (excl. Tim Schumacher) and Supervisory Board	409	1.34	150	0.40
	<b>30,456</b>	<b>100.00</b>	<b>26,206</b>	<b>100.00</b>

The authorized and conditional capital of AdLINK Internet Media AG as of the balance sheet date was as follows:

<b>Figures in €k</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
	<hr/>	<hr/>
<b>Capital stock</b>	<b>30,456</b>	<b>26,206</b>
Authorized capital		
- 2005; until May 17, 2010	8,650	12,900
Conditional capital		
- 2004 (convertible bond)	1,044	1,044
- 2005 (warrant or convertible bond); until May 16, 2010	10,000	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 € 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 € 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 approval 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.

A mixed non-cash capital increase was conducted on November 20, 2009 as a result of which 4,250,000 new shares were issued. As of the balance sheet date, authorized capital thus amounts to € 8,650,000.

### Conditional Capital

#### - Conditional Capital 2004

At the Annual Shareholders' Meeting held on May 17, 2004, a conditional increase of capital stock was agreed of € 1,250,000.00 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 € 650,000.00 of the conditional capital increase may be allotted to the members of the Management Board of the Company and a maximum of € 600,000.00 to employees of the Company or of subsidiary companies, including management employees of the subsidiary companies.

There were no conversions of convertible bonds in the past fiscal year, whereas Conditional Capital was reduced by € 51k in 2008 due to usage from the conversion of convertible bonds.

#### - Conditional Capital 2005

At the Annual Shareholders' Meeting held on May 17, 2005 a conditional increase of capital stock was agreed of € 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 until May 16, 2010, 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 25, 2009 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 24, 2010. The price paid for acquisition of these shares may not be more than 10% above or below the stock market price. Treasury shares can be used for all purposes named at the Annual Shareholders' Meeting of May 25, 2009. As of the balance sheet date, the Company held no treasury shares.

The authorization replaces the resolution of the Annual Shareholders' Meeting of May 26, 2008. No treasury shares were acquired during fiscal years 2008 and 2009 on the basis of this authorization.

### 32. Reserves

#### Capital reserves

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Capital reserves at the beginning of the fiscal year	65,043	63,488
Non-cash capital increase Sedo GmbH	9,350	0
Addition from stock-option plans	40	1,422
Increase in capital reserves from the conversion of convertible bonds	0	133
	<u>74,433</u>	<u>65,043</u>

#### Revaluation reserve

No amounts have been transferred to the revaluation reserve since the disposal of available-for-sale shares in Goldbach Media AG.

### 33. Additional details on financial instruments

The following table shows the valuation categories and categories of financial assets and liabilities:

<b>December 31, 2009</b>		Valuation acc. to IAS 39			
<b>Figures in €k</b>	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2009	Acquisition cost	Fair value not affecting net income	Fair value on Dec. 31, 2009
<b>Assets</b>					
Cash and cash equivalents	lar	6,548	6,548	-	6,548
Trade accounts receivable	lar	11,672	11,672	-	11,672
Accounts receivable from affiliated companies	lar	27	27	-	27
Other current financial assets	lar	4,170	4,170	-	4,170
Other non-current financial assets	lar	12,341	12,341	-	12,341
<b>Liabilities</b>					
Trade accounts payable	flac	17,091	17,091	-	17,091
Liabilities due to affiliated companies	flac	150	150	-	150
Liabilities due to banks	flac	1,400	1,400	-	1,400
Convertible bonds	flac	4	4	-	4
Other financial liabilities	flac	8,246	8,246	-	8,246
Of which aggregated acc. to valuation categories of IAS 39:					
Loans and receivables (lar)	lar	34,758	34,758	-	34,758
Financial liabilities measured at amortized cost (flac)	flac	26,891	26,891	-	26,891

December 31, 2008 Figures in €k	Valuation category acc. to IAS 39	Valuation acc. to IAS 39			Fair value on Dec. 31, 2008
		Carrying value on Dec. 31, 2008	Acquisition cost	Fair value not affecting net income	
<b>Assets</b>					
Cash and cash equivalents	lar	12,040	12,040	-	12,040
Trade accounts receivable	lar	42,342	42,342	-	42,342
Accounts receivable from affiliated companies	lar	761	761	-	761
Other current financial assets	lar	4,043	4,043	-	4,043
Other non-current financial assets	afs	12,047	-	12,047	12,047
<b>Liabilities</b>					
Trade accounts payable	flac	46,958	46,958	-	46,958
Liabilities due to affiliated companies	flac	30,288	30,288	-	30,288
Liabilities due to banks	flac	15,079	15,079	-	15,079
Convertible bonds	flac	35	35	-	35
Other financial liabilities	flac	8,373	8,373	-	8,373
Of which aggregated acc. to valuation categories of IAS 39:					
Loans and receivables (lar)	lar	59,186	59,186	-	59,186
Available-for-sale (afs)	afs	12,047	-	12,047	12,047
Financial liabilities measured at amortized cost (flac)	flac	100,733	100,733	-	100,733

Cash and cash equivalents, trade accounts receivable, other current financial assets and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value. The fair value of fixed-interest loans is the present value of future expected cash flows using current interest rates as of the balance sheet date.

Liabilities due to banks consist mainly of short-term money market loans, whose fair value corresponds to the carrying value.

In the previous year, other financial assets measured at fair value and not affecting net income referred to shares in Goldbach Media AG. Fair value was based on the official stock exchange price and exchange rate as of the balance sheet date. For further information, see also Note 20 "Other financial assets".

Convertible bonds bear interest. As interest is not significantly different to the observable market rate, the carrying value is similar to fair value.

In order to present the reliability of fair value assessments of financial instruments in a comparable way, a fair value hierarchy was introduced in IFRS with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- Inputs that are not based on observable market data (Level 3).

As of the balance sheet date the Group held no financial instruments measured at fair value. The financial instruments measured at fair value in the previous year were classified as Level 1.

The following tables show net profits and losses from financial instruments according to valuation categories for the fiscal years 2009 and 2008.

Figures in €k		From interest and dividends	Net profits and losses from subsequent valuation		From disposal	Net result
			Fair value	Value adjusted		
Net result						
Loans and receivables	lar	209	-	-583	-	-374
Available-for-sale financial assets	afs	339	-	-	12,704	13,043
of which not affecting net income		-	-	-	-	-
of which affecting net income		339	-	-	12,704	13,043
Financial liabilities, valued at amortized cost	flac	-1,090	-	-	-	-1,090
<b>2009</b>		<b>-542</b>	<b>-</b>	<b>-583</b>	<b>12,704</b>	<b>11,579</b>

Figures in €k		From interest and dividends	Net profits and losses from subsequent valuation		Net result
			Fair value	Value adjusted	
Net result					
Loans and receivables	lar	184	-	-676	-492
Available-for-sale financial assets	afs	773	-16,747	-	-15,974
of which not affecting net income		-	-8,853	-	-8,853
of which affecting net income		773	-7,894	-	-7,121
Financial liabilities, valued at amortized cost	flac	-2,362	-	-	-2,362
<b>2008</b>		<b>-1,405</b>	<b>-16,747</b>	<b>-676</b>	<b>-18,828</b>

### 34. Transactions with related parties

All transactions with related companies and persons during the period under review are presented below. The following groups of persons and companies are defined by IAS 24 as "related":

- Members of the Management Board and Supervisory Board
- United Internet AG, Montabaur / Germany, and its subsidiaries, as the majority shareholder of AdLINK Internet Media AG and its subsidiaries
- DomainBots and IPMC (associated companies)

#### Members of the Management Board and Supervisory Board

With the exception of current remuneration, there were no other legal transactions with members of the Management Board and Supervisory Board during the period under review.

As of December 31, 2009 the Supervisory Board of AdLINK Internet Media AG consisted of:

Michael Scheeren, qualified banker,

Ralph Dommermuth, CEO of United Internet AG (since December 16, 2009)

Andreas Gauger, businessman

Mr. Norbert Lang, member of the Management Board of United Internet AG, retired from the Supervisory Board with effect from December 15, 2009. With a resolution of December 14, 2009, the District Court of Montabaur appointed Ralph Dommermuth as a member of the

Supervisory Board with effect from December 16, 2009. The appointment is limited until the next Annual Shareholders' Meeting.

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) and Goldbach Media AG, Küssnacht, Switzerland. In addition to his seat on the Supervisory Board of AdLINK Internet Media AG, Mr. Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Mr. Andreas Gauger was also a member of the supervisory board of Virtual Minds AG, Freiburg and Fonpit AG, Berlin. Moreover, Mr. Andreas Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, and an Independent Board Member of Parallels Inc., Bermuda.

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 26, 2008, 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 € 15,000 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 €250 for every €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 €0.30 per share.

The Chairman of the Supervisory Board, Michael Scheeren, thus received total remuneration of €55k (prior year: €30k). Of this total €30k (prior year: €30k) was fixed and €25k variable (prior year: €0k). Andreas Gauger received total remuneration of €40k (prior year: €5k). Of this total €15k (prior year: €5k) was fixed and €25k variable (prior year: €0k). The variable component is based on expected consolidated net income and deferred. As members of the Management Board of subsidiaries of the parent group, the two other members of the Supervisory Board, Norbert Lang and Ralph Dommermuth, have waived their remuneration rights for the duration of their terms as members of companies belonging to United Internet AG.

As of December 31, 2009, the Management Board of AdLINK Internet Media AG consisted of three members: Andreas Janssen, Tim Schumacher and Alexander Röthinger. The former Management Board members Stéphane Cordier and Marc Stilke left the Company as of September 30, 2009 in the course of the Company's realignment process. Tim Schumacher and Alexander Röthinger were appointed as new members of the Management Board on October 1, 2009.

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 convertible 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 2009 amounted to € 995k (prior year: € 1,607k). It was divided as follows:

Management Board in €	Total compensation		Fixed		Variable		Long-term incentive component***	
	2009	2008	2009	2008	2009	2008	2009	2008
Andreas Janssen	311,500	180,000	180,000	180,000	70,000	0	61,500	n/a
Tim Schumacher**	45,002	n/a	32,502	n/a	12,500	n/a	n/a	n/a
Alexander Röthinger**	45,002	n/a	32,502	n/a	12,500	n/a	n/a	n/a
Stéphane Cordier*	288,268	1,162,730	218,268	237,380	70,000	55,350	n/a	870,000
Marc Stilke*	305,000	264,528	135,000	180,168	170,000	0	n/a	84,360
<b>Total</b>	<b>994,772</b>	<b>1,607,258</b>	<b>598,272</b>	<b>597,548</b>	<b>335,000</b>	<b>55,350</b>	<b>61,500</b>	<b>954,360</b>

\* until September 30, 2009

\*\* from October 1, 2009

\*\*\* corresponding to fair value at issuance date and on completion of option vesting periods

#### Explanation of long-term incentive components of compensation:

The current long-term incentive components of compensation are based on the plans described in Note 30 "Employee stock ownership plans". Unless stated otherwise, the conditions and functions are identical to the standard conditions described. The size of long-term incentive components of compensation is based on fair value on issuance of the convertible bonds for the conversion rights acquired in the respective fiscal year. Acquired conversion rights are defined as that part of the issued options for which the vesting period has been completed in the fiscal year and which thus represent vested rights which can now be exercised.

#### Virtual stock options

With the approval of the Supervisory Board (resolution of March 6, 2008) a tranche was issued to the former Management Board member Stéphane Cordier in fiscal year 2008. The tranche issued comprises 200,000 units with an exercise price of € 18.60 (Tranche D). Mr. Cordier's claims from the 200,000 SARs granted to him in 2008 were settled as part of his variable remuneration for 2009.

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 € 17.41. (Tranche B). In addition, the Supervisory Board adopted a resolution of March 30, 2009 to issue a further 100,000 SARs (Tranche G) to Mr. Janssen in fiscal year 2009 at an issue price of € 3.72.

Details on determining fair value at the time of issuance are provided in Note 30 "Employee stock ownership plans" (Virtual Stock Options Tranche B, D and G).

#### Convertible bonds

In fiscal year 2005 convertible bonds with a nominal amount of € 40k were issued to Mr. Marc Stilke, of which Mr. Stilke converted convertible bonds with a nominal amount of € 10k

in fiscal year 2007. The remaining conversion rights were paid out to Mr. Stilke in fiscal year 2009.

### Option agreement

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 four options of 100,000 shares each. No time limits were set. With Mr. Cordier's retirement from the Management Board of AdLINK Internet Media AG, these options were settled as part of his variable remuneration.

The number of shares and outstanding 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, 2009	Dec. 31, 2008	SAR Dec. 31, 2009	Exercise price in €	Options Dec. 31, 2008	SAR Dec. 31, 2008
<b>Supervisory Board</b>						
Michael Scheeren	72,656	7265,6	-	-	-	-
Ralph Dommermuth (since December 16, 2009)	335,357 <sup>1</sup>	-	-	-	-	-
Andreas Gauger	1,000	1,000	-	-	-	-
Norbert Lang (until December 15, 2009)	-	30,850	-	-	-	-
<b>Management Board</b>						
Andreas Janssen	-	-	300,000	12.85	-	200,000
Tim Schumacher (since Oct. 1, 2009)	1,658,393	-	-	-	-	-
Alexander Röthinger (since Oct. 1, 2009)	-	-	30,000	15.51	-	-
Stéphane Cordier (until Sep. 30, 2009)	-	-	-	-	400,000	200,000
Marc Stilke (until Sep. 30, 2009)	-	-	-	-	300,000	-
<b>Total</b>	<b>2,067,406</b>	<b>104,506</b>	<b>330,000</b>		<b>700,000</b>	<b>400,000</b>

<sup>1</sup> via Ralph Dommermuth Beteiligung GmbH

## United Internet AG and its subsidiaries

Business relationships between the AdLINK Group and the United Internet Group 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
- (7) 1&1 Internet Inc., Chesterbrook / USA
- (8) United Internet Beteiligungen GmbH, Montabaur / Germany

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

Object of business transaction	2009	2008
	€k	€k
Acquired inventories (domains)	529	348
Interest expenses	450	1,489
Insurance services	40	37
Rent paid	141	125
Other services received	1,087	1,288
Fees for parked domains	181	248
Sales revenue	5,171	6,400
Proceeds from disposal of investments	45,064	-
Rent received	-	92

Acquired inventories refer to the acquisition of domains from 1&1 Internet AG and InterNetX GmbH for sales purposes.

Interest expenses result from partial joint cash management of AdLINK Internet Media AG and United Internet AG. To this end, a contract was signed in May 2005 between AdLINK Internet Media AG and United Internet AG concerning participation in the overdraft service of the United Internet Group. Under the terms of this agreement, AdLINK Internet Media AG was able to borrow and repay money flexibly. The agreement was terminated by AdLINK Internet Media AG in December 2009. The fall in interest expenses results mainly from the Group's reduction of debt and from lower interest rates.

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.

Rent payments refer to a lease between United Internet AG and AdLINK Internet Media AG for offices at the Montabaur site. The lease was terminated by AdLINK Internet Media AG on February 28, 2010.

Other services received include the following items:

- Registration fees for domains,
- SAP services,
- Printed matter and fair cooperation,
- Server services.

Die 1&1 Internet AG and its subsidiaries market some of their domains via the domain parking services of the AdLINK Group. The fees received result from advertising marketing in the field of Domain Marketing.

Sales revenue results mainly from affiliate programs operated by Group companies, as well as (to a lesser extent) the provision of advertising and sales services in the field of Domain Marketing.

Proceeds from disposal of investments result from the sale of shares in Hi-media S.A. and Goldbach Media AG to United Internet Beteiligungen GmbH. Please refer to Note 3 for further information.

### **DomainsBot**

In the period under review, Sedo Germany received software services from DomainsBot amounting to €75k (prior year: €46k).

## ***35. Risk and capital management***

The AdLINK Group is exposed to certain risks with regard to its assets, liabilities and planned transactions. The main financial risks include: 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. Certain transactions require prior approval from the Supervisory Board in accordance with the rules and procedures of the Management Board.

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), interest rates (interest risk), market price risks (price risks) as well as competition risks.

### **Currency risks**

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

The individual Group companies perform their operating business mainly in their respective functional currencies. The exceptions are Sedo GmbH, Cologne / Germany and AdLINK

Internet Media AG as a separate company, which have significant cash flows outside their functional currencies.

The Group has financial instruments outside its functional currency. The currency risks from these financial instruments are insignificant due to their low volume.

### Interest risks

The Company finances its borrowing needs on a short-term basis. As of the balance sheet date, there was a positive financing balance (financial liabilities less cash and cash equivalents) of €5.1 million (prior year: net debt €32.9 million). All cash deposits and available credit lines are based on variable interest rates. Ceteris paribus, the risk of change in interest rates thus corresponds to €51k p.a. before tax (prior year: €329k) per 1% change in the interest rate.

### Price risks

Following the disposal of its Company's investment in Goldbach Media AG in fiscal year 2009, the Company has no significant available-for-sale financial assets valued on the basis of market prices at fair value without effect on profit and loss.

### 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 guarantee 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:

Figures in €k	Due dates of payments				
	2010	2011	2012	2013	2014 and later
<b>as of Dec. 31, 2009</b>					
Trade accounts payable	17,091	-	-	-	-
Liabilities due to affiliated companies	150	-	-	-	-
Liabilities due to banks	1,400	-	-	-	-
Other provisions	2,167	-	-	-	-
Other financial liabilities	6,081	-	-	-	-
Convertible bonds	1	3	-	-	-
<b>Total</b>	<b>26,890</b>	<b>3</b>	-	-	-

Figures in €k	Due dates of payments				
	2009	2010	2011	2012	2013 and later
<b>as of Dec. 31, 2008</b>					
Trade accounts payable	47,817	-	-	-	-
Liabilities due to affiliated companies	29,838	-	-	-	-
Liabilities due to banks	15,079	-	-	-	-
Other provisions	1,018	-	-	-	-
Other financial liabilities	7,032	-	-	-	-
Convertible bonds	-	-	35	-	-
Liabilities due to minority interests	250	250	250	250	-
<b>Total</b>	<b>101,034</b>	<b>250</b>	<b>285</b>	<b>250</b>	<b>-</b>

### 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.

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. 20% (prior year: 8% or 6%) of trade accounts receivable with one customer (prior year: two) with first-class credit rating. There is a risk concentration if trade accounts receivable from a third party exceed 5% of total receivables.

### 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). The cash pooling agreement between AdLINK Internet Media AG and United Internet AG was terminated in December 2009.

In order to maintain and adapt its capital structure, the Company can purchase treasury shares (up to 10% of outstanding capital stock) 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 with treasury shares acquired.

In the course of the fiscal year 2009, as in the previous year, there were no amendments to the Group's capital management system with regard to objectives, guide-lines or processes.

### **36. Subsequent events**

There were no major events subsequent to the reporting period which had a significant impact on the business development of the AdLINK Group.

### **37. 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)
- (2) leases for offices at the Group's various locations and
- (3) leasing obligations for a part of the vehicle fleet.

The general agreement, including all amendments, for the provision of DART services to publishers between AdLINK Internet Media AG and DoubleClick International TechSolutions Ltd., Dublin/Republic of Ireland, dated January 22, 2002, was replaced in July 2009 by a new general agreement. It has a term from January 1, 2009 to December 31, 2010. The resulting minimum contractual obligation for 2010 amounts to EUR 2,100k. The financial obligations will be charged to the sold companies of the Display Marketing segment by the end of March 2010. As this agreement ends on March 31, 2010, the minimum contractual obligation for the months April to December 2010 totaling EUR 1,575k has been put back. There are no further obligations from this agreement.

As of December 31, 2009, future financial obligations amounted to €2,660k (prior year: €10,315k).

Figures in €k	December 31, 2009			Total
	Direct product costs	Rent	Leasing and others	
Up to 1 year	525	1,059	110	1,694
1-4 years	-	829	83	912
>4 years	-	36	18	54
	525	1,924	211	2,660

Figures in €k	December 31, 2008			Total
	Direct product costs	Rent	Leasing and others	
Up to 1 year	2,258	1,938	283	4,479
1-4 years	2,154	2,835	386	5,375
>4 years	18	443	-	461
	4,430	5,216	669	10,315

Leasing payments (rent and other operating leasing) recognized as an expense in the current fiscal year amount to approx. € 1.6 million (prior year: € 2.0 million).

## Contingent liabilities and other commitments

### Litigation

Legal disputes mainly concern cases pending in France and Germany. Action has been taken against the Company in these countries in several cases due to alleged infringement of trademarks.

A provision was formed for any obligations arising from this litigation, see Note 27 "Other accrued liabilities".

### Other

The tax inspection of AdLINK Internet Media AG for the period 2002 - 2005 was completed in fiscal year 2009. A final audit report is not yet available. The preliminary calculation of additional taxes for the audit period and subsequent years up to 2008 amounts to € 0.9 million; the amount was considered in the consolidated annual financial statements 2009. For further information, please refer to Note 13 "Income taxes and deferred taxes".

The Management Board is not aware of any facts which may lead to other obligations and commitments with a material adverse impact on the Company's operations, financial standing or earnings.

## 38. Segment reporting

The Company's segment reporting was prepared in accordance with IFRS 8 "Business Segments". The Management Board of AdLINK Internet Media AG controls and organizes the Company according to both geographical and activity-based aspects. In its internal reporting structure, however, the dominant aspect is its organization and control according to the

Company's various fields of activity and their differences with regard to the products and services offered. Internal reporting does not correspond in all cases with the legal structure.

Following the completed sale of Display Marketing activities, the Group is divided into the following business segments:

- Affiliate Marketing with the brand affilinet
- Domain Marketing with the brands Sedo and GreatDomains

In addition to costs of continued operations AdLINK Internet Media AG, the Corporate segment mainly comprises the effects of consolidation, amortization of intangible assets capitalized in the course of corporate acquisitions, and expenses incurred by employee stock ownership plans and currency effects. The effects of the disposal of the Hi-media and Goldbach Media shares are especially to name. The result of 2008 includes the amortization of the Goldbach Media shares.

The Management Board mainly controls operations on the basis of key earnings figures and an assessment of total costs. The Management Board uses an internal earnings ratio for the segment's contribution to consolidated earnings, the so-called "contribution" figure, in order to control the various segments. Contribution is an indicator similar to EBIT, adjusted for internal cost allocation and financing effects, and including the results of associated companies, which reflects the operating strength of the respective segments. Contribution as a proportion of sales provides the contribution margin.

In order to aid comparison, the prior-year figures have been adjusted to the change in internal presentation and the sale of Display Marketing activities in the current fiscal year.

<b>Figures in €k</b>	<b>Affiliate Market- ing</b>	<b>Domain Market- ing</b>	<b>Total seg- ments</b>	<b>Recon- ciliation</b>	<b>Total AdLINK Group<sup>1</sup></b>
<b>2009</b>					
Non-group revenue	88,102	46,629	<b>134,731</b>	581	<b>135,312</b>
Inter-segment revenue	333	33	<b>366</b>	-366	-
Total revenue	<u>88,435</u>	<u>46,662</u>	<u><b>135,097</b></u>	<u>215</u>	<u><b>135,312</b></u>
Contribution	4,247	7,229	<b>11,476</b>	8,677	<b>20,153</b>
Depreciation and amortization	357	695	<b>1,052</b>	2,093	<b>3,145</b>
of which PPA depreciation	-	-	-	1,877	<b>1,877</b>
of which non-scheduled depreciation	-	-	-	79	<b>79</b>
Adjustment in inventories	-	1,242	<b>1,242</b>	-	<b>1,242</b>
Compensation expenses from em- ployee stock option plans	-	-	4 0	40	<b>40</b>
Capital expenditures	257	941	<b>1,198</b>	166	<b>1,364</b>
Investments in associated companies	-	899	<b>899</b>	-	<b>899</b>
Segment assets	17,266	29,807	<b>47,073</b>	75,901	<b>122,974</b>
Liabilities	19,319	18,295	<b>37,614</b>	-5,921	<b>31,693</b>
Employees (as of Dec. 31)	133	155	<b>288</b>	30	<b>318</b>

<b>Figures in €k</b>	<b>Affiliate Market- ing</b>	<b>Domain Market- ing</b>	<b>Total seg- ments</b>	<b>Recon- ciliation</b>	<b>Total AdLINK Group<sup>1</sup></b>
<b>2008</b>					
Non-group revenue	88,387	54,654	<b>143,041</b>	-79	<b>142,962</b>
Inter-segment revenue	633	54	<b>687</b>	-687	-
Total revenue	<u>89,020</u>	<u>54,708</u>	<u><b>143,728</b></u>	<u>-766</u>	<u><b>142,962</b></u>
Contribution	3,662	11,390	<b>15,052</b>	-20,576	<b>-5,524</b>
Depreciation and amortization	480	451	<b>931</b>	1,849	<b>2,780</b>
of which PPA depreciation	-	-	-	1,655	<b>1,655</b>
of which non-scheduled depreciation	-	-	-	45	<b>45</b>
Adjustment in inventories	-	937	<b>937</b>	-	<b>937</b>
Compensation expenses from em- ployee stock option plans	-	-	-	1,422	<b>1,422</b>
Capital expenditures	297	397	<b>694</b>	659	<b>1,353</b>
Investments in associated companies	-	1,153	<b>1,153</b>	-	<b>1,153</b>
Segment assets	30,234	37,331	<b>67,565</b>	83,190	<b>150,755</b>
Liabilities	14,539	21,817	<b>36,356</b>	68,180	<b>104,536</b>
Employees (as of Dec. 31)	117	179	<b>296</b>	214	<b>510</b>

<sup>1</sup> The income statement and cash flow statement figures refer to continued operations. Balance sheet items and employee figures of the previous year contain discontinued operations.

The intangible assets resulting from PPA are allocated to the segments, however depreciation is only charged at Group level.

The following table presents a reconciliation of segment figures to those of the AdLINK Group:

<b>Figures in €k</b>	<b>2009</b>	<b>2008</b>
Segment contribution	11,476	15,052
Corporate contribution	8,677	-20,576
Interest and similar expenses	-1,090	-2,362
Interest and similar income	209	168
Result before taxes	<u>19,272</u>	<u>-7,718</u>
Income taxes	<u>-3,992</u>	<u>-2,821</u>
Result from discontinued operations	21,073	-3,384
Net income	<u><u>36,353</u></u>	<u><u>-13,923</u></u>
Segment assets	47,073	67,565
Assets of discontinued operations	-	4,689
Corporate assets	-14,398	2,858
Shares in associated companies	899	1,153
Other financial assets (long-term)	12,341	12,047
Goodwill	75,643	60,764
Deferred tax assets	1,416	1,679
Gross assets of the AdLINK Group	<u><u>122,974</u></u>	<u><u>150,755</u></u>
Segment liabilities	37,614	36,356
Liabilities of discontinued operations	-	31,680
Corporate liabilities	-12,124	-12,189
Liabilities due to banks	1,400	15,079
Financial and interest liabilities due to United Internet AG	-	30,108
Accrued taxes	4,121	1,809
Convertible bonds	4	35
Deferred tax liabilities	678	977
Long-term liabilities owed to minority shareholders	-	681
Gross liabilities of the AdLINK Group	<u><u>31,693</u></u>	<u><u>104,536</u></u>

In the case of regional classification, revenues are allocated on the basis of the customer's location. Corporate assets are allocated on the basis of the location of the respective subsidiary disclosing the assets. In accordance with IFRS 8.33, they contain all the Group's non-current assets with the exception of financial instruments and deferred tax assets.

<b>Figures in €k</b>	<u><b>Germany</b></u>	<u><b>Europe</b></u>	<u><b>Non-Europe</b></u>	<u><b>AdLINK Group</b></u>
<b>2009</b>				
Non-group revenue	42,510	83,324	9,478	135,312
Capital expenditures	485	74	805	1,364
Non-current assets	72,308	7,294	1,027	80,629
Employees (as of Dec. 31)	222	54	42	318

<b>Figures in €k</b>	<u><b>Germany</b></u>	<u><b>Other European nations</b></u>	<u><b>Non-Europe</b></u>	<u><b>AdLINK Group</b></u>
<b>2008</b>				
Non-group revenue	39,837	99,653	3,472	142,962
Capital expenditures	970	360	23	1,353
Non-current assets	63,372	8,241	752	72,365
Employees (as of Dec. 31)	281	179	50	510

In fiscal year 2009, the Group generated 27.5% (prior year 32.8 %) and 19.3% (prior year 21.3%) of its revenues with its two largest customers. The customer generating the highest proportion of sales is allocated to the Domain Marketing segment, the second largest to the Affiliate Marketing segment.

### **39. 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 which exempt them from the first, second, third and fourth subsections of the second section of the German Commercial Code:

- Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur / Germany
- affilinet GmbH, Munich / Germany
- Sedo GmbH, Cologne / Germany

### **40. 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 2008 amounted to €-279 million and its equity according to HGB amounted to €272 million.

Please refer to the internet portal of United Internet AG ([www.united-internet.de](http://www.united-internet.de)) for further information.

#### **41. Auditing fees**

In fiscal year 2009, auditing fees of € 373k (prior year: € 520k) were expensed on the level of AdLINK AG. These include auditing fees of € 140k (prior year: € 230k), tax consultancy services of € 145k (prior year: € 106k), and other services of € 88k (prior year: € 184k).

On the level of the Group, total auditing fees of € 588k (prior year: € 576k) were expensed. These include auditing fees of € 352k (prior year: € 230k), tax consultancy services of € 145k (prior year: € 162k), and other services of € 91k (prior year: € 184k).

#### **42. 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 permanently accessible for shareholders on the internet portal of AdLINK Internet Media AG ([www.adlinkgroup.net](http://www.adlinkgroup.net)).

Montabaur, March 11, 2010

The Management Board

Andreas Janssen, Alexander Röthinger, Tim Schumacher

**AdLINK Internet Media AG, Montabaur**  
**Development of Consolidated Fixed Assets acc. to IFRS in fiscal year 2009**

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED DEPRECIATION						NET BOOK VALUE	
	January 1, 2009	Additions	Disposals	Reclassifications	Currency translation adjustment	December 31, 2009	January 1, 2009	Additions	Disposals	Reclassifications	Currency translation adjustment	December 31, 2009	January 1, 2009	December 31, 2009
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>INTANGIBLE ASSETS</b>														
Licenses, brands and others	2,546,422	109,940	188,988	0	-30,755	2,436,619	1,255,921	188,288	118,562	0	-14,512	1,311,135	1,290,501	1,125,484
Software	3,916,923	159,538	312,254	0	721	3,764,928	2,485,330	819,854	197,987	0	-874	3,106,323	1,431,593	658,605
Internet platform	1,878,900	0	0	0	0	1,878,900	1,409,296	375,696	0	0	0	1,784,992	469,604	93,908
Databases	5,003,600	631,404	0	0	0	5,635,004	3,338,273	1,129,624	0	0	-4,103	4,463,794	1,665,327	1,171,210
Subtotal licenses/software/deposits paid	13,345,845	900,882	501,242	0	-30,034	13,715,451	8,488,820	2,513,462	316,549	0	-19,489	10,666,244	4,857,025	3,049,207
Goodwill	84,690,363	14,878,718	3,630,000	0	0	95,939,081	20,296,000	0	0	0	0	20,296,000	64,394,363	75,643,081
	98,036,208	15,779,600	4,131,242	0	-30,034	109,654,532	28,784,820	2,513,462	316,549	0	-19,489	30,962,244	69,251,388	78,692,288
<b>PROPERTY, PLANT AND EQUIPMENT</b>														
Operational equipment	4,439,034	463,118	1,807,832	0	81,652	3,175,972	2,478,420	778,989	1,131,370	13,630	-1,379	2,138,290	1,960,614	1,037,682
<b>FINANCIAL ASSETS</b>														
Shares in associated companies	1,152,797	6,329	260,122	0	0	899,004	0	0	0	0	0	0	1,152,797	899,004
Other financial assets	19,941,143	32,653,601	40,254,143	0	0	12,340,601	7,894,340	0	7,894,340	0	0	0	12,046,803	12,340,601
	21,093,940	32,659,930	40,514,265	0	0	13,239,605	7,894,340	0	7,894,340	0	0	0	13,199,600	13,239,605
	102,475,242	16,242,718	5,939,074	0	51,618	112,830,504	31,263,240	3,292,451	1,447,919	13,630	-20,868	33,100,534	71,212,002	79,729,970

AdLINK Internet Media AG, Montabaur  
Development of Consolidated Fixed Assets acc. to IFRS in fiscal year 2008

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED DEPRECIATION						NET BOOK VALUE	
	January 1, 2008	Additions	Disposals	Reclassifications	Currency translation adjustment	December 31, 2008	January 1, 2008	Additions	Disposals	Reclassifications	Currency translation adjustment	December 31, 2008	January 1, 2008	December 31, 2008
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>INTANGIBLE ASSETS</b>														
Licenses, brands and others	2,428,764	745	0	67,935	48,978	2,546,422	1,059,752	183,063	0	0	13,106	1,255,921	1,369,012	1,290,501
Software	3,833,532	93,919	8,124	0	-2,404	3,916,923	1,682,766	811,522	7,218	0	-1,740	2,485,330	2,150,766	1,431,593
Internet platform	1,878,900	0	0	0	0	1,878,900	1,033,600	375,696	0	0	0	1,409,296	845,300	469,604
Databases	5,003,600	0	0	0	0	5,003,600	2,337,701	1,000,572	0	0	0	3,338,273	2,665,899	1,665,327
Subtotal licenses/software/deposits paid	13,144,796	94,664	8,124	67,935	46,574	13,345,845	6,113,819	2,370,853	7,218	0	11,366	8,488,820	7,030,977	4,857,025
Goodwill	84,690,363	0	0	0	0	84,690,363	11,052,000	9,244,000	0	0	0	20,296,000	73,638,363	64,394,363
	97,835,159	94,664	8,124	67,935	46,574	98,036,208	17,165,819	11,614,853	7,218	0	11,366	28,784,820	80,669,340	69,251,388
<b>PROPERTY, PLANT AND EQUIPMENT</b>														
Operational equipment	3,651,664	1,258,242	417,871	490	-53,491	4,439,034	1,969,848	951,058	433,737	0	-8,749	2,478,420	1,681,816	1,960,614
<b>FINANCIAL ASSETS</b>														
Shares in associated companies	0	1,212,972	60,175	0	0	1,152,797	0	0	0	0	0	0	0	1,152,797
Other financial assets	28,793,987	0	8,852,844	0	0	19,941,143	0	7,894,340	0	0	0	7,894,340	28,793,987	12,046,803
	28,793,987	1,212,972	8,913,019	0	0	21,093,940	0	7,894,340	0	0	0	7,894,340	28,793,987	13,199,600
	101,486,823	1,352,906	425,995	68,425	-6,917	102,475,242	19,135,667	12,565,911	440,955	0	2,617	31,263,240	82,351,156	71,212,002

## **Audit opinion**

We have issued the following opinion on the consolidated financial statements and the combined management report:

"We have audited the consolidated financial statements prepared by AdLINK Internet Media AG, Montabaur, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1 to 31 December 2009. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined 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 [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined 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 and 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 combined 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 relating to future development."

Eschborn/Frankfurt am Main, 12 March 2010

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

von Seidel  
Wirtschaftsprüfer  
[German Public Auditor]

Titov  
Wirtschaftsprüfer  
[German Public Auditor]

## **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 Management Report of the Company and the Group 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 11, 2010

The Management Board

Andreas Janssen, Alexander Röthinger, Tim Schumacher

# **AdLINK GROUP**

**AdLINK Internet Media AG,  
Montabaur**

**Parent Company Financial Statements  
acc. to German Commercial Code (HGB)  
as of December 31, 2009**

**AdLINK Internet Media AG, Montabaur**  
**Balance sheet as of December 31, 2009**

Assets	31.12.2008		Equity and liabilities	31.12.2008	
	EUR	EUR		EUR	EUR
<b>A. Fixed assets</b>			<b>A. Equity</b>		
<b>I. Intangible assets</b>			<b>I. Capital stock 1)</b>	30,455,890.00	26,205,890.00
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets		450,407.00	852,830.00	102,099,662.21	92,749,662.21
<b>II. Property, plant and equipment</b>			<b>III. Accumulated loss</b>	<u>-43,579,242.67</u>	<u>-87,406,040.73</u>
Other equipment, operational and office equipment		212,114.00	271,529.00	88,976,309.54	31,549,511.48
<b>III. Financial assets</b>			<b>B. Accruals</b>		
1. Shares in affiliated companies	49,975,420.14	38,785,804.61	1. Accrued taxes	3,857,693.78	1,218,181.59
2. Shares in companies in which an investment is held	0.00	12,046,803.00	2. Other accrued liabilities	<u>3,754,811.74</u>	<u>1,701,486.04</u>
3. Loans to affiliated companies	35,300,000.00	49,400,000.00		7,612,505.52	2,919,667.63
4. Other loans	<u>12,194,828.00</u>	<u>0.00</u>	<b>C. Liabilities</b>		
	97,470,248.14	100,232,607.61	1. Bonds, thereof convertible EUR 4,063.00 (prior year: EUR 35,213.00 )	4,063.00	35,213.00
	98,132,769.14	101,356,966.61	2. Liabilities due to banks	1,400,000.00	15,000,000.00
<b>B. Current assets</b>			3. Trade accounts payable	919,398.02	4,979,457.19
<b>I. Accounts receivable and other assets</b>			4. Liabilities due to affiliated companies	18,990,408.39	70,764,898.63
1. Trade accounts receivable	1,027,480.16	1,136,431.81	5. Other liabilities therof EUR 50,610.85 from taxes (prior year: EUR 99,870.01) thereof EUR 0.00 for social security (prior year: EUR 0.00)	50,663.19	180,683.39
2. Receivables due from affiliated companies	10,698,990.26	14,433,518.33		21,364,532.60	90,960,252.21
3. Receivables due from companies in which an investement is held	33,112.66	0.00	<b>D. Rechnungsabgrenzungsposten</b>	0.00	54,194.00
4. Other assets	<u>3,010,275.68</u>	<u>1,300,271.03</u>			
	14,769,858.76	16,870,221.17			
<b>II. Cash in hand and bank balances</b>	<u>5,021,511.47</u>	<u>7,204,595.89</u>			
	19,791,370.23	24,074,817.06			
<b>C. Prepaid expenses</b>	<u>29,208.29</u>	<u>51,841.65</u>			
	<u>117,953,347.66</u>	<u>125,483,625.32</u>		<u>117,953,347.66</u>	<u>125,483,625.32</u>

1) There is also conditional capital of EUR 11,044,010.00 (prior year: EUR 11,044,010.00)

**AdLINK Internet Media AG, Montabaur**  
**Income statement for 2009**

	EUR	EUR	2008 EUR
1. Sales	10,656,672.20		20,985,192.44
2. Other operating income	<u>646,517.78</u>		<u>875,986.88</u>
		11,303,189.98	21,861,179.32
3. Cost of materials			
Cost of purchased services	6,542,284.39		15,774,406.87
4. Personnel expenses			
a) Wages and salaries	3,038,186.11		3,019,154.86
b) Payments for social security, pensions and support	471,362.62		467,065.83
thereof EUR 5,359.55 for pensions (prior year: EUR 25,256.00)			
5. Amortization and depreciation of intangible assets and property, plant and equipment	506,556.72		440,181.00
6. Other operating expenses	<u>7,852,284.68</u>		<u>5,609,920.52</u>
		18,410,674.52	25,310,729.08
7. Income from investments	21,361,129.08		2,783,860.86
thereof EUR 1,087,631.82 from affiliated companies (prior year: EUR 2,011,203.54)			
8. Income from profit transfer agreements	15,845,925.60		11,769,633.36
9. Expenses from profit transfer agreements	0.00		8,487,530.57
10. Income from other securities and loans of financial assets	1,596,883.59		3,563,068.89
thereof EUR 1,446,480.43 from affiliated companies (prior year EUR 3,563,068.89)			
11. Other interest and similar income	12,162.69		78,326.86
thereof EUR 175.76 from affiliated companies (prior year: EUR 0,00)			
12. Income from write-ups of financial assets	16,942,042.06		0.00
13. Amortization of financial assets	529,694.00		25,504,979.30
14. Interest and similar expenses	1,402,194.67		3,642,859.49
thereof EUR 788,818.61 from affiliated companies (prior year: EUR 2,856,328.21)			
		<u>53,826,254.35</u>	<u>-19,440,479.39</u>
15. Result from ordinary activities		46,718,769.81	-22,890,029.15
16. Taxes on income	2,889,175.75		2,319,887.09
17. Other taxes	<u>2,796.00</u>		<u>1,814.00</u>
		<u>2,891,971.75</u>	<u>2,321,701.09</u>
18. Net profit for the year (prior year: net loss)		43,826,798.06	-25,211,730.24
19. Loss brought forward from previous year		<u>-87,406,040.73</u>	<u>-62,194,310.49</u>
20. Accumulated loss		<u>-43,579,242.67</u>	<u>-87,406,040.73</u>

**AdLINK Internet Media AG, Montabaur**  
**Notes to the Financial Statements for Fiscal Year 2009**

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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 used. Low-value items with an individual value of no more than EUR 150.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. Assets with a net individual value of more than EUR 150.00 but less than EUR 1,000.00 and acquired before December 31, 2007, are recognized in the commercial balance sheet within the annually formed collective item, for reasons of simplicity. A lump-sum depreciation rate of 20 percent p.a. is used for these annual collective items, whose size is of minor importance, for the year of addition and in the four following years. 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 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 selling rates, whereby the lower of creation-date and year-end exchange rates is taken.

Liabilities in foreign currencies are carried at bank buying 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, loans to affiliated companies and a vendor loan granted to Hi-media S.A. during the sale of the Display Marketing segment. The investment in Goldbach Media AG was sold to United Internet Beteiligungen GmbH during fiscal year 2009.

## Shareholdings

	Currency	Shareholding %	Equity in million I.c.	Net profit in million I.c.
<b>Domestic</b>				
Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur (formerly AdLINK Internet Media GmbH Deutschland) <sup>2</sup>	EUR	100	33.9	0.0
affilinet GmbH, Munich <sup>2</sup>	EUR	100	3.3	0.0
Sedo GmbH, Cologne <sup>1,3</sup>	EUR	100	13.4	0.0
<b>Foreign</b>				
affilinet Ltd., London/UK <sup>3</sup>	GBP	100	-1.3	-0.4
affilinet SAS, Levallois Perret/France <sup>3</sup>	EUR	100	6.0	-0.6
affilinet España SLU, Madrid/Spain <sup>3</sup>	EUR	100	0.1	0.0
affilinet Nederland B.V., Haarlem/Netherlands <sup>3</sup>	EUR	100	0.1	0.0
DomCollect Worldwide Intellectual Property AG, Zug/Switzerland <sup>3</sup>	EUR	100	-0.6	-0.1
DomainsBot s.r.l, Rome/Italy <sup>3</sup>	EUR	40	0.8	0.1
Intellectual Property Management Company Inc., Delaware/USA <sup>3</sup>	USD	49	-0.3	-0.8
Sedo London Ltd., London/UK <sup>3</sup>	GBP	100	0.0	0.0
Sedo.com LLC, Boston/USA <sup>3</sup>	USD	100	2.7	1.9

<sup>1)</sup> After profit transfer to Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur

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

<sup>3)</sup> Indirect holding

## Loans

In order to finance the purchase of shares in affilinet SAS in fiscal year 2006, a long-term credit line amounting to EUR 17 million was granted to affilinet GmbH, which was fully drawn as of the prior-year balance sheet date. In the period under review, an amount of EUR 16.0 million was repaid, so that the amount taken as of the balance sheet date amounted to EUR 1.0 million. The credit line has a term until December 31, 2010.

For the purchase of shares in Sedo GmbH, AdLINK Internet Media AG provided AdLINK GmbH (renamed Response Republic Beteiligungsgesellschaft Deutschland GmbH in 2009) with a long-term loan of EUR 34.5 million in fiscal year 2006 with a term until December 31, 2011. As of the balance sheet date, the loan had a value of EUR 34.3 million.

In accordance with the general loan agreement of December 20, 2008, AdLINK Internet Media AG increased an existing loan to affilinet UK of GBP 1.0 million to GBP 1.75 million. The loan has a maximum term until December 31, 2011. As of December 31, 2009, affilinet UK had used the credit line in full. Due to the future financial and earnings position of affilinet UK, the value of the loan granted was already adjusted in full in fiscal year 2008.

The loans granted to AdLINK UK, AdLINK France and net:dialogs GmbH to secure current liquidity needs were sold at their respective nominal values during the sale of the Display Marketing segment to Hi-media S.A. As a result, income from reversals amounting to EUR 4.7 million was recognized in the period under review.

	Due			Total
	within 1 year	1 to 5 years	over 5 years	
Loans to affiliated companies in EUR k	1,000	34,300	0	35,300

## Receivables and other assets

	Dec. 31, 2009 EUR k	Dec. 31, 2008 EUR k
Trade receivables	1,027	1,136
of which due in more than one year	0	0
Receivables from affiliated companies	10,699	14,434
of which due in more than one year	0	0
Receivables from associated companies	33	0
of which due in more than one year	0	0
Other assets	3,011	1,300
of which due in more than one year	0	0
	<u>14,770</u>	<u>16,870</u>

Receivables from affiliated companies mainly comprise balances from trade with subsidiaries as well as cost allocations, receivables from profit transfer agreements with affilinet GmbH and Response Republic Beteiligungsgesellschaft Deutschland GmbH, and cash pool receivables.

The increase in other assets results mainly from an over-payment of trade income tax in the period under review (EUR 1.2 million), as well as a corporation tax refund claim resulting from a tax audit (EUR 0.9 million).

There are no receivables due from the shareholder.

## Cash and cash equivalents

As of December 31, 2009 the Company had cash and cash equivalents amounting to EUR 5.0 million (prior year: EUR 7.2 million). AdLINK Internet Media 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 Commerzbank AG. The cash pooling contract concluded in 2007 between AdLINK Internet Media AG and United Internet AG was terminated in December 2009.

As of the balance sheet date therefore, AdLINK Internet Media AG has no liabilities due to United Internet AG from the cash pool (prior year: EUR 30.1 million).

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

<b>Credit lines as of December 31, 2009</b>	<b>in EUR million</b>
WestLB AG (until May 7, 2010)	20.0
Commerzbank AG (until further notice)	15.0
Postbank AG*	2.0
<b>Total:</b>	<b>37.0</b>

\* Borrower with joint responsibility together with Sedo GmbH

Of these credit lines, an amount of EUR 1.4 million had been drawn from Commerzbank AG as of the balance sheet date.

## **Capital stock**

The Management Board was authorized by the Annual Shareholders' Meeting of May 17, 2005, with the consent of the Supervisory Board, to raise the Company's capital stock in the period up to May 17, 2010 in one or several amounts, by up to EUR 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 under certain circumstances, also with the respective consent of the Supervisory Board, to decide whether to exclude the subscription rights of shareholders. As a result of the non-cash capital increase on November 20, 2009, a total of 4,250,000 new shares were issued.

As a result, capital stock increased to EUR 30,455,890 (prior year: EUR 26,205,890) and is divided into 30,455,890 no-par value, registered shares with a theoretical share in the capital stock of EUR 1.00 each. The authorized capital resolved by the Annual Shareholders' Meeting of May 17, 2005 (Authorized Capital 2005) therefore now amounts to EUR 8,650,000.00.

In addition, capital stock was increased conditionally by up to EUR 1,044,010 divided into up to 1,044,010 no-par value shares (Conditional Capital 2004) and by up to EUR 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.

At the Annual Shareholders' Meeting of May 26, 2008, the Management Board was authorized, with the approval of the Supervisory Board, to acquire treasury shares representing up to ten percent of capital in the period ending November 25, 2009.

As of December 31, 2009 capital stock was held as follows:

	EUR k	%
United Internet AG	23,836	78.26
Tim Schumacher	1,659	5.45
Free float	4,552	14.95
Management Board (without Tim Schumacher) and Supervisory Board	409	1.34
	<u>30,456</u>	<u>100.0</u>

As a result of the non-cash capital increase, additional paid-in capital increased over the period under review by EUR 9,350k and amounted to EUR 102,100k as of December 31, 2009 (prior year: EUR 92,750k) due to the acquisition of the remaining Sedo GmbH shares.

#### **Accumulated deficit**

In the period under review, AdLINK Internet Media AG posted a net income of EUR 43,827k (prior year: net loss of EUR 25,212k).

After consideration of the loss carried forward from fiscal year 2008 amounting to EUR 87,406k, the accumulated deficit totaled amounted to EUR 43,579k in fiscal year 2009.

#### **Other provisions**

	Dec. 31, 2009 EUR k	Dec. 31, 2008 EUR k
Tax provisions	3,858	1,218
Other provisions	3,755	1,701
	<u>7,613</u>	<u>2,919</u>

The increase in other provisions results mainly from provisions for risks from current contracts totaling EUR 3,075k. Otherwise, other provisions primarily comprise personnel-related provisions, such as bonuses, commissions and outstanding holidays (EUR 184k; prior year: EUR 341k) and provisions for auditing and legal costs (EUR 107k; prior year: EUR 170k), for Supervisory Board remuneration (EUR 95k; prior year: EUR 0k) and for the Annual Shareholders' Meeting and annual report (EUR 87k; prior year: EUR 99k). Provisions for outstanding incoming invoices (prior year: EUR 1,140k) are only of minor significance since the sale of the Display Marketing segment.

## Liabilities

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

Table of liabilities

in EUR k	Dec. 31, 2009			Dec. 31, 2008		
	Due up to 1 year	1 to 5 years	Total	Due up to 1 year	1 to 5 years	Total
Liability type						
1. Bonds,						
thereof convertible	3	1	4	23	12	35
2. Bank liabilities	1,400	0	1,400	15,000	0	15,000
3. Trade payables	919	0	919	4,979	0	4,979
4. Liabilities due to affiliated companies	18,990	0	18,990	70,765	0	70,765
5. Other liabilities	51	0	51	181	0	181
- thereof for tax	51	0	51	100	0	100
- thereof for social security	0	0	0	0	0	0

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

AdLINK Internet Media AG issued no convertible bonds to employees of the AdLINK Group in fiscal year 2009.

Convertible bonds issued as part of the employee stock ownership plan of AdLINK Internet Media AG in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004 entitle the bearer to convert each nominal amount of EUR 1 into a no-par value registered share in AdLINK Internet Media AG having a theoretical share in the capital stock of EUR 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 Internet Media 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 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.

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 EUR 0.91 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 68.00%
- 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 EUR 1.71 per share.

- Dividend yield: 0%
- Volatility of the AdLINK share: 68.00%
- 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 issue 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 a subscription price of EUR 15.51 (**Tranche A**). 10,000 units of this tranche relate to employees of AdLINK Internet Media AG and 60,000 units to employees of affilinet GmbH. The remaining SARs and respective option rights have expired due to the departure from the AdLINK Group of the employees concerned.

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 a strike price of EUR 17.41 (**Tranche B**).

With a resolution of February 22, 2008 and approval of the Supervisory Board on February 26, 2008, a third tranche was approved for issue to senior managers of the AdLINK Group. The resolution comprises a volume of up to 60,000 virtual stock options at a subscription price of EUR 18.15 (**Tranche C**). 30,000 units of this tranche relate to employees of affilinet GmbH. The remaining SARs and respective option rights have expired due to the departure from the AdLINK Group of the employees concerned.

With the approval of the Supervisory Board, a resolution was adopted on March 6, 2008 to issue a fourth **Tranche D** to the Chairman of the Management Board Stéphane Cordier (until September 30, 2009). The issued tranche comprises a volume of 200,000 units at a strike price of EUR 18.60. In an agreement dated September 29, 2009, Mr. Cordier waived the right to 200,000 SARs granted to him but not yet exercised.

With the approval of the Supervisory Board, a resolution was adopted on a October 30, 2008 to issue a fifth **Tranche E** to senior managers of a foreign subsidiary. The issue comprises a volume of 7,200 virtual stock options at a strike price of EUR 7.43. The issued tranche has completely expired due to the departure of the employees concerned in 2009.

With a resolution of the Management Board on March 25, 2009, and the approval of the Supervisory Board, a sixth **Tranche F** was issued to a senior manager of the AdLINK Group. The issue comprises a volume of 30,000 virtual stock options at a subscription price of EUR 3.72.

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued seventh **Tranche G**

comprises a volume of 100,000 virtual stock options at a subscription price of EUR 3.72.

With a resolution of the Management Board on May 25, 2009, and the approval of the Supervisory Board, an eighth **Tranche H** was issued to two senior employees of the AdLINK Group. The issue comprises a volume of 70,000 virtual stock options at a subscription price of EUR 4.32. 30,000 units already expired in 2009 due to the departure of one of the employees concerned.

No accrual for impending utilization was formed as of the balance sheet date, as the share price of AdLINK Internet Media AG on the balance sheet date and as of the preparation of the annual financial statements was below the exercise price and thus any exercise of rights appeared improbable. Obligations arising from the virtual stock option program for non-German AdLINK Group employees are accounted for on the level of the respective foreign subsidiary.

The fair values were calculated using a binomial model and amounted to the following:

	Dec. 31, 2009 EUR k	Dec. 31, 2008 EUR k
Tranche A (expiry of 90,000 units in 2009)	263	600
Tranche B	723	723
Tranche C (expiry of 30,000 units in 2009)	116	231
Tranche D (waiver of 200,000 units in 2009)	0	870
Tranche E (expiry of 7,200 units in 2009)	0	12
Tranche F	18	-
Tranche G	62	-
Tranche H (expiry of 30,000 units in 2009)	31	-

This resulted in the following average market values:

	EUR
Tranche A	3.75
Tranche B	0.00
Tranche C	3.86
Tranche D	0.00
Tranche E	0.00
Tranche F	0.60
Tranche G	0.62
Tranche H	0.77

The following assumptions were made:

#### Tranche A

- Dividend yield: 0%
- Volatility of the AdLINK share: 52.00%
- Expected term: 5 years
- Risk-free interest: 4.01%

#### Tranche B

- Dividend yield: 0%
- Volatility of the AdLINK share: 55.00%
- Expected term: 5 years
- Risk-free interest: 3.86%

#### Tranche C

- Dividend yield: 0%
- Volatility of the AdLINK share: 39.62%
- Expected term: 5 years
- Risk-free interest: 3.61%

#### Tranche D

- Dividend yield: 0%
- Volatility of the AdLINK share: 38.53%
- Expected term: due immediately
- Risk-free interest: 3.51%

#### Tranche E

- Dividend yield: 0%
- Volatility of the AdLINK share: 53.24%
- Expected term: 5 years
- Risk-free interest: 3.24%

#### Tranche F

- Dividend yield: 0%
- Volatility of the AdLINK share: 72.91%
- Expected term: 5 years
- Risk-free interest: 2.61%

#### Tranche G

- Dividend yield: 0%
- Volatility of the AdLINK share: 72.91%
- Expected term: 5 years
- Risk-free interest: 2.47%

#### Tranche H

- Dividend yield: 0%
- Volatility of the AdLINK share: 77.96%
- Expected term: 5 years
- Risk-free interest: 2.81%

### **Finance**

In order to secure the Company's financial position, AdLINK Internet Media AG concluded a credit line agreement with Commerzbank AG for EUR 15.0 million and a guarantee agreement for EUR 500k. The credit line has been granted until further notice. As of December 31, 2009 the Company had used EUR 1.4 million of the cash credit line and EUR 367k of the credit line.

There is also a credit line agreement with WestLB AG for EUR 20.0 million with a term until May 7, 2010. As of December 31, 2009 the Company had not used this credit line.

Liabilities of AdLINK Internet Media AG to affiliated companies result mainly from AdLINK's internal cash pool plus interest. We refer to the notes on cash and cash equivalents.

## Contingent liabilities

As part of the profit transfer agreements concluded with Response Republic Beteiligungsgesellschaft Deutschland GmbH and affilinet GmbH, and indirectly from the transfer agreement between Response Republic Beteiligungsgesellschaft Deutschland GmbH and Sedo GmbH, AdLINK Internet Media AG is committed to assuming any losses of these companies pursuant to Sec. 302 AktG.

In a letter dated February 22, 2010, the Company made a commitment to affilinet Ltd., London, UK, to acquire the liabilities of this subsidiary in the case of possible insolvency. With this letter of support, the continued existence of affilinet Ltd. is secured until December 31, 2010.

The Company also has an indirect liability from the letter of subordination submitted by Sedo GmbH, Cologne, to DomCollect Worldwide Intellectual Property AG, Zug, Switzerland. In fiscal year 2009, DomCollect Worldwide Intellectual Property AG posted a net loss of EUR 111k, which raised the loss disclosed in the balance sheet not covered by equity to EUR 567k. The company thus continues to be over-indebted. As of December 31, 2009, DomCollect Worldwide Intellectual Property AG had liabilities from loans due to its parent company Sedo GmbH, Cologne, amounting to EUR 6,000k. In a contract dated March 2, 2009, an agreement was made with the parent company to subordinate its claims below the receivables of all current and future creditors of the company to such an extent as to avoid over-indebtedness.

## Other financial obligations

In addition to these commitments, other financial obligations amount to EUR 547k (of which to affiliated companies EUR 22k). These obligations include the following items:

Type of other financial obligation in EURk	Due			Total
	up to 1 year	1 to 5 years	over 5 years	
DART services	525	0	0	525
Payment obligations from lease agreements	22	0	0	22
	547	0	0	547

The general agreement, including all amendments, for the provision of DART services to publishers between AdLINK Internet Media AG and DoubleClick International TechSolutions Ltd., Dublin/Republic of Ireland, dated January 22, 2002, was replaced in July 2009 by a new general agreement. It has a term from January 1, 2009 to December 31, 2010. The resulting minimum contractual obligation for 2010 amounts to EUR 2,100k. The financial obligations will be charged to the sold companies of the Display Marketing segment by the end of March 2010. As this agreement ends on March 31, 2010, the minimum contractual obligation for the months April to December

2010 totaling EUR 1,575k has been put back. There are no further obligations from this agreement.

There is a rental agreement between AdLINK Internet Media AG and United Internet AG concerning offices at the Company's headquarters in Montabaur. The lease runs until June 30, 2010 and is automatically extended by one year unless one of the parties objects to the extension no later than six months before termination of the lease. Due to the relocation of its business base to Cologne, AdLINK Internet Media AG has terminated the lease without due notice. Only one office will be maintained at the Montabaur premises. The future financial obligations arising from this lease amount in total to EUR 22k.

## **Notes to the income statement**

### **Sales revenue**

Sales revenue of EUR 8.5 million was generated within the Group mainly from the sale of the media companies. This figure comprises services provided by AdLINK Internet Media AG for its subsidiaries, as well as cost allocations for campaign invoices settled by AdLINK Internet Media AG. Sales to third parties amounting to EUR 2.2 million resulted mainly from international advertising campaigns for a customer, which were processed by AdLINK Internet Media AG.

### **Other operating income**

Other operating income of EUR 0.6 million consists mainly of income from foreign exchange valuations amounting to EUR 0.4 million (prior year: EUR 0.8 million).

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

Income from investments results from the profit transfer of affilinet GmbH (EUR 5,585k) and Response Republic Beteiligungsgesellschaft Deutschland GmbH (EUR 10,261k) to AdLINK Internet Media AG, as well as from the receipt of dividend payments amounting to EUR 1,426k. There was also non-recurring income of EUR 19,935k from the sale of the Display Marketing segment to Hi-media S.A. (EUR 15,125k), from the sale of received Hi-media shares to United Internet Beteiligungen GmbH (EUR 1,421k) and from the sale of shares in Goldbach Media AG to United Internet Beteiligungen GmbH (EUR 3,389k).

### **Income from the write-up of financial assets**

Income from the write-up of financial assets amounting to EUR 16,942k consists of the partial reversal in the carrying value of shares in affiliated companies which were sold to Hi-media S.A. (EUR 4,300k), as well as from the partial reversal in the carrying value of loans granted to affiliated companies which were also sold at their nominal amount

(EUR 4,748k). Moreover, there was a partial reversal in the carrying value of shares in Goldbach Media AG (EUR 7,894k).

### **Other operating expenses**

Other operating expenses of EUR 7.9 million (prior year: EUR 5.6 million) result mainly from legal, consulting and auditing costs of EUR 2.4 million (prior year: EUR 0.6 million), the formation of provisions for risks from current agreements amounting to EUR 3.1 million, third-party IT services of EUR 0.5 million (prior year: EUR 0.4 million), individual allowances for receivables of EUR 0.4 million (prior year: EUR 0.2 million) and marketing expenses of EUR 0.1 million (prior year: EUR 0.7 million).

### **Other disclosures**

#### **Management Board**

As of December 31, 2009, the Management Board of AdLINK Internet Media AG consisted of three members: Andreas Janssen, Tim Schumacher and Alexander Röthinger.

The former Management Board members Stéphane Cordier and Marc Stilke left the Company as of September 30, 2009 in the course of the Company's realignment process. Tim Schumacher and Alexander Röthinger were appointed as new members of the Management Board on October 1, 2009.

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 2009 amounted to EUR 933k (prior year: EUR 653k). Of this total, the fixed sums accounted for EUR 597k (prior year: EUR 598k) and the variable sums for EUR 336k (prior year: EUR 55k) of total remuneration.

In accordance with the terms of his service contract, Mr. Janssen receives performance-oriented compensation of EUR 70k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no bonus payment below 90% and the maximum bonus is limited to 120% of target achievement. Mr. Janssen also received 200,000 SARs (Tranche B) at a strike price of EUR 17.41 as part of the Stock Appreciation Rights

(SAR) agreement. In addition, Mr. Janssen received 100,000 SARs (Tranche G) at a strike price of EUR 3.72 as part of the Stock Appreciation Rights (SAR) agreement. The fair value of the tranche amounts to EUR 0.62.

In accordance with the terms of his service contract, Mr. Schumacher receives performance-oriented compensation of EUR 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no payment below 90% and the bonus is limited to 120% target achievement.

In accordance with the terms of his service contract, Mr. Röthinger receives performance-oriented compensation of EUR 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no payment below 90% and the bonus is limited to 120% target achievement.

The claims of Mr. Cordier with regard to the 200,000 SARs (Tranche D) granted to him in 2008 were settled as part of his variable remuneration for 2009.

Total remuneration was divided as follows:

	Dec. 31, 2009			Dec. 31, 2008		
	Fixed	Variable	Total	Fixed	Variable	Total
Stéphane Cordier (until Sep. 30, 2009)	218	70	288	238	55	293
Andreas Janssen	180	70	250	180	0	180
Marc Stilke (until Sep. 30, 2009)	135	170	305	180	0	180
Tim Schumacher (from Oct. 1, 2009)	32	13	45	0	0	0
Alexander Röthinger (from Oct. 1, 2009)	32	13	45	0	0	0
	597	336	933	598	55	653

The subscription rights of Mr. Cordier and Mr. Stilke from convertible bonds and an option agreement with United Internet AG (700,000 units in total) were settled in cash in fiscal year 2009.

## **Supervisory Board**

As of December 31, 2009 the Supervisory Board of AdLINK Internet Media AG consisted of:

Michael Scheeren, qualified banker,

Ralph Dommermuth, CEO of United Internet AG (since December 16, 2009)

Andreas Gauger, businessman

Mr. Norbert Lang, member of the Management Board of United Internet AG, retired from the Supervisory Board with effect from December 15, 2009. With a resolution of December 14, 2009, the District Court of Montabaur appointed Ralph Dommermuth as a member of the Supervisory Board with effect from December 16, 2009. The appointment is limited until the next Annual Shareholders' Meeting.

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, Küsnacht, Switzerland. Mr. Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Mr. Andreas Gauger was also a member of the supervisory board of Virtual Minds AG, Freiburg and Fonpit AG, Berlin. Moreover, Mr. Andreas Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, and an Independent Board Member of Parallels Inc., Bermuda.

For the fiscal year 2009, the members of the Supervisory Board will receive remuneration totaling EUR 45k (prior year: EUR 35k). A provision has also been made for variable remuneration of EUR 50k.

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 26, 2008, Supervisory Board remuneration comprises the following components. Each member of the Supervisory Board receives a fixed amount of EUR 15,000.00 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 EUR 250.00 for every EUR 0.01 of earnings per share, as disclosed in the Company's consolidated financial statements, which exceeds a minimum amount of EUR 0.30 per share.

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

As of December 31, 2009, the members of the Supervisory Board held 409,013 shares. This total was divided as follows:

	<b>Shareholding</b>	
	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Michael Scheeren	72,656	72,656
Norbert Lang (indirectly) (until November 15, 2009)	-	30,850
Ralph Dommermuth (since November 16, 2009)	335,357 <sup>1</sup>	-
Andreas Gauger	1,000	1,000
<b>Total</b>	<b>409,013</b>	<b>104,506</b>

<sup>1</sup> via Ralph Dommermuth Beteiligung GmbH

## Employees

In the past fiscal year, there was an annual average of 40 (prior year: 46) full-time employees.

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

	<u>2009</u>	<u>2008</u>
Board	3	3
Product Management and Marketing	6	13
Sales	1	1
Administration	17	15
IT	11	12
	<hr/> 38	<hr/> 44
Apprentices	2	2
<b>Total</b>	<b>40</b>	<b>46</b>

## Amendments to Company articles

On the basis of an authorization granted by means of an amendment to the Company's Articles of May 17, 2005 (Authorized Capital 2005), capital stock was increased by EUR 4,250,000. With a resolution of the Supervisory Board of September 29, 2009, Section 5 of the Company's Articles (Capital Stock) has been amended in paras. 5.1, 5.2 and 5.3 (Authorized Capital 2005).

The amendments were entered in the commercial register on November 20, 2009.

### **Group relations**

- In accordance with Sec. 315a HGB, AdLINK Internet Media AG prepared consolidated annual financial statements for the fiscal year 2009 according to the IFRS of the International Accounting Standards Board ("IASB"), as applied in the EU.
- 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 Internet Media AG, Montabaur.

### **Appropriation of profit**

In agreement with the Supervisory Board, the Management Board proposes to carry forward the accumulated loss amounting to EUR 43,579k.

### **Auditing and consulting expenses**

In fiscal year 2009, fees of EUR 373k (prior year: EUR 520k) were expensed on the level of AdLINK Internet Media AG. These include auditing fees of EUR 140k (prior year: EUR 230k), tax consultancy services of EUR 145k (prior year: EUR 106k) and other services of EUR 88k (prior year: EUR 184k).

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

Mr. Ralph Dommermuth notified us pursuant to section 21 (1) WpHG ("German Securities Trading Act"), that on September 22, 2004, his percentage of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur exceeded the threshold of 75% and amounted to 82.45% (21,275,408 voting rights). Thereof 82.45% (21,275,408 voting rights) were attributed to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

The aforementioned attributed voting rights were held by the company controlled by him, United Internet AG, Montabaur.

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Tim Schumacher informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% and 5% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the

aforementioned date, Mr. Tim Schumacher held 5.45% of our capital stock (1,658,393 voting rights).

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Ulrich Priesner informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the aforementioned date, Mr. Ulrich Priesner held 4.09% of our capital stock (1,246,436 voting rights).

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Marius Würzner informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the aforementioned date, Mr. Marius Würzner held 3.72% of our capital stock (1,133,540 voting rights).

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

The Management Board and Supervisory Board of AdLINK Internet Media AG submitted its statutory declaration for 2009 pursuant to Sec. 161 AktG regarding the recommendations of the "Government Commission German Corporate Governance Code". The declaration was made permanently available to shareholders. In the declaration, the Management Board and Supervisory Board of AdLINK Internet Media AG state that with certain exceptions they comply, and will continue to comply, with the recommendations of the Government Commission.

### **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 Internet Media AG.

Montabaur, March 11, 2010

The Management Board

Andreas Janssen, Alexander Röthinger, Tim Schumacher

**AdLINK Internet Media AG, Montabaur**  
**Development of fixed assets 2009**

	Acquisition and production costs				01.01.2009 EUR	Accumulated depreciation			31.12.2009 EUR	Net book value	
	01.01.2009 EUR	Additions EUR	Disposals EUR	31.12.2009 EUR		Additions EUR	Write-ups EUR	Disposals EUR		31.12.2009 EUR	31.12.2008 EUR
<b>I. Intangible assets</b>											
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	2,983,468.13	24,178.70	353,218.70	2,654,428.13	2,130,638.13	385,255.70	0.00	311,872.70	2,204,021.13	450,407.00	852,830.00
<b>II. Property, plant and equipment</b>											
1. Other equipment, operational and office equipment	550,607.15	75,542.65	91,563.14	534,586.66	285,096.15	117,950.65	0.00	74,696.14	328,350.66	206,236.00	265,511.00
2. Low-cost assets	7,585.83	6,839.21	5,472.95	8,952.09	1,567.83	3,350.37	0.00	1,844.11	3,074.09	5,878.00	6,018.00
	558,192.98	82,381.86	97,036.09	543,538.75	286,663.98	121,301.02	0.00	76,540.25	331,424.75	212,114.00	271,529.00
<b>III. Financial assets</b>											
1. Shares in affiliated companies	54,267,096.24	58,744,706.38	63,036,382.48	49,975,420.14	15,481,291.63	529,694.00	4,299,998.49	11,710,987.14	0.00	49,975,420.14	38,785,804.61
2. Shares in companies in which an investment is held	19,941,142.57	20,313,000.00	40,254,142.57	0.00	7,894,339.57	0.00	7,894,339.57	0.00	0.00	0.00	12,046,803.00
3. Loans to affiliated companies	56,149,980.34	2,800,000.00	21,647,704.00	37,302,276.34	6,749,980.34	0.00	4,747,704.00	0.00	2,002,276.34	35,300,000.00	49,400,000.00
4. Other loans	0.00	12,194,828.00	0.00	12,194,828.00	0.00	0.00	0.00	0.00	0.00	12,194,828.00	0.00
	130,358,219.15	94,052,534.38	124,938,229.05	99,472,524.48	30,125,611.54	529,694.00	16,942,042.06	11,710,987.14	2,002,276.34	97,470,248.14	100,232,607.61
	133,899,880.26	94,159,094.94	125,388,483.84	102,670,491.36	32,542,913.65	1,036,250.72	16,942,042.06	12,099,400.09	4,537,722.22	98,132,769.14	101,356,966.61

## **Audit opinion**

We have issued the following opinion on the financial statements and the combined management 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 combined management report of AdLINK Internet Media AG, Montabaur, for the fiscal year from 1 January to 31 December 2009. The maintenance of the books and records and the preparation of the annual financial statements and combined 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 combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the 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 combined 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 relating to future development."

Eschborn/Frankfurt am Main, 12 March 2010

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

von Seidel  
Wirtschaftsprüfer  
[German Public Auditor]

Titov  
Wirtschaftsprüfer  
[German Public Auditor]

## **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 of the Company and the Group 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 11, 2010

The Management Board

Andreas Janssen, Alexander Röthinger, Tim Schumacher