AdLINK
Internet Media AG

# Annual Report 2005

# AdLINK at a Glance

| Key figures acc. to IFRS | | 2005 EURk | 2004 EURk | Change in % |
|---|---|---|---|---|
| **Financial figures** | | | | |
| Sales | EURm | 98.3 | 47.8 | 105.6 |
| Gross margin | % | 23.7 | 23.3 | 1.7 |
| EBITDA | EURm | 7.0 | 0.3 | 2,233.3 |
| EBT | EURm | 3.6 | -3.9 | 192.3 |
| Earnings per share | EUR | 0.04 | -0.11 | 136.4 |
| **Balance sheet figures** | | | | |
| Current assets | EURm | 42.5 | 20.6 | 106.3 |
| Non-current assets | EURm | 64.0 | 13.8 | 363.8 |
| Capital stock | EURm | 25.4 | 17.8 | 42.7 |
| Balance sheet, total | EURm | 106.6 | 34.4 | 209.9 |
| **Key capital market data** | | | | |
| Year-end | EUR | 4.26 | 1.70 | 150.6 |
| Year-high | EUR | 4.35 | 3.40 | 27.9 |
| Year-low | EUR | 1.63 | 1.44 | 13.2 |
| Number of shares at year-end | | 25,851,945 | 25,805,580 | 0.2 |
| Market capitalization at year-end | EURm | 110.1 | 43.9 | 150.8 |
| Freefloat | % | 17.4 | 17.3 | 0.7 |

The internet has now firmly established itself in society and the world of business to such an extent that we can no longer imagine life without it. As a consequence, online advertising has also gained widespread acceptance and secured a firm place in the media mix. There is no end in sight to its current growth phase. The global online advertising market experienced tremendous growth in 2005. Over the past few years, AdLINK Internet Media AG has established itself as a leading independent European marketer and offers both advertisers and websites digital marketing solutions based on its superior technology and service. AdLINK Internet Media AG aims to build on this positive development in future.

# Content

# Foreword

**Marc Stilke**

Chief Operating Officer and Speaker of the Board

Marc Stilke started his career at Bertelsmann and Lycos Europe, where he was responsible for the European portal business. He joined United Internet AG in 2004 as head of the Online Marketing division. Marc Stilke has been Speaker of the Management Board of AdLINK Internet Media AG since 2005 and is responsible for the Affiliate Marketing and Domain Marketing segments.

**DEAR SHAREHOLDERS AND ALL INTERESTED IN AdLINK.**

Online advertising is booming. The online advertising market grew once again in 2005 – with revenue growth of 30% in the USA and as much as 39% in Europe. AdLINK Internet Media AG benefited more than most from this development: in the past year, sales more than doubled to EUR 98.3 million. Our negative pre-tax result of the previous year was turned into our first positive net income of EUR 3.6 million in 2005. This improvement resulted in earnings per share (EPS) of EUR 0.04.

A contributory factor to the success of our sector is the relentless spread of fast broadband connections. At the same time, the number of people using the internet continues to grow – as does the amount of time they spend connected to it. Thanks to broadband, we can now use more effective online advertising formats with moving images and Flash animations. Our tools for planning, tracking, reporting and optimizing online campaigns are also becoming more powerful and clearly differentiating themselves from classic advertising – due to the interactivity and direct measurability of the internet medium. Online advertising can therefore offer advertisers a clear added value. Its proportion of total advertising spend will therefore continue to grow.

In addition to a booming market, there are several other reasons for our success: firstly, we have restructured our traditional Display Marketing business segment, and secondly we have strengthened our position in the Affiliate Marketing and Domain Marketing segments with carefully selected acquisitions. 2005 was therefore a year of important strategic decisions for our company, which will have a decisive impact on our future development.

As one of Europe's largest online marketers, the AdLINK brand's new Display Marketing concept targets major business partners via the AdLINK SELECT and AdLINK TARGET products. The premium portfolio AdLINK SELECT enables clients to run national and pan-European brand campaigns on our top websites, thus gaining maximum impact – and all with a single booking. The AdLINK TARGET network gives customers the possibility to reach specific internet user groups with the aid of targeting tools – either across the entire network or via selected topic channels. We expect this new concept to deepen and expand relationships with our most important clients.

The acquisition of affilinet GmbH and Sedo GmbH in April 2005 added the segments Affiliate Marketing and Domain Marketing to our business model. Following their successful integration into the AdLINK Group, both companies made a decisive contribution to our company's success in 2005. affilinet offers customers a high-reach online marketing channel and Sedo is the specialist for the secondary trading of internet domains and for domain marketing. With the integration of affilinet and Sedo, we can now offer customers a much wider spectrum of online marketing from a single source. In turn, affilinet and Sedo will benefit from access to our sales organization and from our long-term client relationships in the Display Marketing segment.

We also continued to drive the international expansion of our business in 2005. With the acquisition of an equity interest in CibleClick Performances S.A., a leading affiliate marketing specialist in France, we extended our successful affiliate business to the French market in December 2005. We also entered the UK affiliate market in early 2006 and are now active on Europe's three most important advertising and e-commerce markets. Altogether, AdLINK Internet Media AG is represented by 16 offices in 10 European countries and the USA. We attach great importance to the international expansion of our network. But we do not intend to grow at any price: The company's management team is currently examining – after the failure of various measures to improve profitability in our office in Denmark – the possibility of continuing existing contracts from another location or alternatively seeking a cooperation. In Austria, on the other hand, we aim to expand our international operations by

**Stéphane Cordier**

Chief Executive Officer

Stéphane Cordier has been CEO of AdLINK since 2002 with responsibility for the company's European media business. Prior to this, he was Vice President of European Media at DoubleClick Inc. — whose media business we took over in 2002. Before entering into the online advertising market, Stéphane Cordier worked for Ziff-Davis France, which publishes various internet and PC magazines.

**Guy Challen**

Chief Financial Officer

Guy Challen has over 25 years of experience in the finance divisions of various industrial sectors. Mr. Challen has been CFO of the AdLINK Group since the beginning of 2003 and played a major role in the company's consolidation. Before joining AdLINK's management team, Mr. Challen was CFO of Omnikey AG, a manufacturer of smart card readers. Prior to this, he held various positions: Financial Controller at Controlware and Internal Audit Supervisor at Dresser-Rand.

launching a new joint venture with the Goldbach Media Group, with whom we already successfully cooperate in Switzerland. We will hold a 30 % share in the new company.

These developments show that we are on the right path. The expansion of our portfolio and client relationships is strengthening customer loyalty and we are currently growing faster than the market. This growth – and the economies of scale it provides – place us in a strong position in this highly competitive market. Our encouraging development was also honored by the capital market in 2005 with a share price increase of 150 %.

Experts and market researchers forecast that the upward trend in the global online advertising market will continue in the coming years. The internet's growing household penetration and increased everyday usage, together with the rapid spread of broadband internet connections and the new advertising formats they enable, will serve to make online advertising even more attractive in future. These encouraging prospects, coupled with the AdLINK Group's presence in key international markets and its strong European network, provide an excellent basis for continued above-average growth and further improvements in both sales and earnings.

We thank all employees, clients and business partners for their support and trust in the past year. We look forward to the coming challenges and expect to maintain our encouraging progress in the coming years. We trust you will continue to accompany us along this path.

Montabaur, March 2006

**Marc Stilke** **Stéphane Cordier** **Guy Challen**

# Report of the Supervisory Board for Fiscal Year 2005

The members of the Supervisory Board (elected until 2007) are:
- Michael Scheeren, banker, 48 (chairman)
- Norbert Lang, banker, 45
- Andreas Gauger, businessman, 38

The Supervisory Board of AdLINK Internet Media AG fulfilled its statutory consultation and control duties during the period under review. We regularly advised the Management Board and monitored their management of the Company. We were directly involved in all decisions of fundamental significance for the Company.

The Management Board presented the Supervisory Board with a comprehensive report every quarter about the state of business, the development of sales and the position of the Company. The Supervisory Board was also informed about the Company's strategy and planning, as well as intended business transactions and the Company's profitability. The reports were made available to all members of the Supervisory Board. On the basis of these reports on AdLINK Internet Media AG, the Supervisory Board was able to monitor all important business transactions and to provide advice where necessary. The chairman of the Supervisory Board was also kept regularly informed by the Management Board on all business activities and gave advice on questions of business policy.

The Supervisory Board held seven meetings during fiscal year 2005, which were each attended by all members. One resolution was adopted by means of circular written consent. The Supervisory Board did not form any committees. The Supervisory Board is not aware of any conflict of interest of any of its members.

The Annual Shareholders' Meeting on May 17, 2005 adopted a resolution to reduce the number of seats on the Supervisory Board from six to three. At the same Annual Shareholders' Meeting, Messrs. Dobitsch, Laffers, Regensburger and Professor Dr. Thoma retired from the Supervisory Board, while Mr. Gauger was elected as a new member.

**Meeting on March 15, 2005:**
This Supervisory Board meeting was mainly concerned with the presentation and discussion of the annual financial statements and the consolidated financial statements for fiscal 2004 of AdLINK Internet Media AG, as well as the management reports for the parent company and Group for fiscal year 2004 and the audit reports and explanations of the auditor. In the presence of the appointed auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, the audited annual financial statements for 2004 of AdLINK Internet Media AG and audited consolidated financial accounts according to IFRS were approved. The invitation and agenda for the annual shareholders' meeting in May and the remuneration report of the chairman of the Supervisory Board was discussed with the Management Board and adopted. There was also a strategic discussion concerning an increased competitive landscape. An important topic of this meeting was the Management Board's intention to negotiate with United Internet about the acquisition of Sedo GmbH and affilinet GmbH, in order to round out the portfolio of online advertising products and provide the Company with a wider operational basis. The aim of the acquisitions is to strengthen our presence in growth areas of the online advertising sector, such as domain and affiliate marketing, and to provide one-stop shopping for all major services in the field of online advertising and marketing. It was decided to continue the talks with United Internet.

**Resolution adopted on April 25, 2005**
A resolution was adopted by means of circular written consent to acquire affilinet GmbH (stake: 100%) and Sedo GmbH (stake: 51.07%) from United Internet AG. The purchase price of around EUR 30 million was financed in part by a credit line provided by United Internet AG at standard market conditions.

**Meeting on June 28, 2005:**
At this meeting, we discussed the Company‘s quarterly report as of March 31, 2005, as well as the current and future business situation of the Group's subsidiaries. Strategic options relating to our technology partners and possible improvement potential were also discussed. The Display Advertising concept prepared in cooperation with Boston Consulting Group over the previous months was presented. It was decided to offer our customers two advertising networks in future: AdLINK SELECT and AdLINK TARGET. AdLINK SELECT is a premium portfolio of carefully selected brand-name websites with exceptional reach and top-quality, original content. AdLINK TARGET is a network offering customers tremendous reach throughout Europe and a wide variety of targeting possibilities. The Management Board also informed us about the status of negotiations with the French affiliate specialist CibleClick as well as the strategic aspects of the transaction. We decided that the Management Board should continue the talks.

**Meeting on August 8, 2005:**
The main topics of this meeting were the Company's interim report as of June 30, 2005 and the development of business in 2005. The Group's further international expansion strategy was discussed, as well as the status of negotiations with CibleClick. On the basis of the current risk guideline, the further development of the AdLINK Group's risk management system was discussed. The procedure concerning an efficiency examination of the Supervisory Board in accordance with the German Corporate Governance Code was also discussed.

**Meeting on September 14, 2005:**
The topic of this meeting was the current status of the implementation of improvement measures in the Company's Display business. The Management Board presented to the Supervisory Board the adopted internal organizational changes connected with the implementation of the new product management, sales and technology concept. Moreover, the Management Board reported to the Supervisory Board concerning the results of the due diligence audit carried out at CibleClick.

**Meeting on October 13, 2005:**
This meeting once again concerned the implementation of the new Display business concept and reactions of our most important clients. The Management Board reported on the business situation of individual subsidiaries. Measures to improve the situation of certain subsidiaries were discussed. The Management Board reported on the current status of negotiations with CibleClick. We decided to continue talks.

**Meeting on November 24, 2005:**
In addition to the Management Board's presentation of the quarterly report as of September 30, 2005, and the current business situation, the future strategy of the Company was presented and discussed. The revised versions of the ad-hoc and Communication Guidelines and Insider and Disclosure Guidelines were discussed and adopted. The annual declaration of compliance with the German Corporate Governance Code and the amendments concerning the rules of procedure for Management Board and Supervisory Board were adopted.

**Meeting on December 12, 2005:**
Topics of this meeting included the discussion and adoption of the consolidated 2006 budget, as well as the budgets for the individual companies. The Management Board explained in detail the proposed acquisition of CibleClick and presented the financial and strategic benefits for the AdLINK Group. Following a discussion of the pros and contras, we approved the acquisition of CibleClick on December 14, 2005 by means of circular written consent. An ad-hoc announcement was published immediately after the decision.

The Annual Shareholders' Meeting in May 2005 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft, based in Eschborn/Frankfurt am Main, as auditors for the fiscal year 2005. Ernst & Young audited the accounting system, the annual financial statements of AdLINK Internet Media AG, the consolidated financial statements according to IFRS and the management report and Group management report for AdLINK Internet Media AG for the fiscal year 2005. As part of its audit of the annual financial statements, Ernst & Young also audited and analyzed key aspects of the Company's risk management system. The auditor awarded an unqualified opinion in each case.

The Supervisory Board satisfied itself as to the independence of the auditors and received a written declaration to this end.

The aforementioned documents, the proposal concerning allocation of retained earnings and the auditor's report were presented to all members of the Supervisory Board in due time. The chief auditor attended the relevant meeting of the Supervisory Board on March 22, 2006, where he answered the Supervisory Board's questions and gave further explanations where necessary. Following its own inspection, the Supervisory Board came to the conclusion that the annual financial statements, the management reports, the consolidated financial statements and the auditor's report gave no cause for objections. With a resolution on March 22, 2006, the Supervisory Board approved the annual financial statements of AdLINK Internet Media AG, as prepared by the Management Board on February 26, 2006 and the consolidated annual financial statements according to IFRS for fiscal 2005, as prepared by the Management Board on February 26, 2006. The annual financial statements are therefore adopted pursuant to Sec. 172 AktG. The Supervisory Board supports the proposal of the Management Board concerning the allocation of retained earnings.

The Supervisory Board would like to thank the Management Board and all employees for their commitment and hard work in fiscal 2005.

Montabaur, March 22, 2006
The Supervisory Board
Michael Scheeren

# Corporate Governance Report

AdLINK Internet Media AG's corporate governance is based on internationally and nationally recognized standards of sound and responsible management. We regard corporate governance as a key responsibility, which applies to all divisions of our company. In accordance with Sec. 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board have prepared the following joint report concerning the corporate governance of AdLINK Internet Media AG:

## MANAGEMENT AND CORPORATE STRUCTURE

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 is elected by the Shareholders' Meeting and currently consists of three members. The Supervisory Board is elected for a period of five years. Members of the Supervisory Board and Management Board should generally not be older than 70 years. The Supervisory Board monitors and advises the Management Board in the management of the company. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. It examines the quarterly reports and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. Its responsibilities also include appointing members of the Management Board and determining their remuneration.

The Management Board is the body charged with managing the group's operations and consists of three persons. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. Decisions of fundamental importance require the approval of the Supervisory Board.

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the company's shareholders. It involves our shareholders in the company's fundamental decision-making processes. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

## RISK MANAGEMENT

The Management Board is responsible for the internal monitoring and risk management system as well as for the evaluation of its effectiveness. Principles, guidelines, processes and responsibilities are defined and established in such a way that they guarantee correct and prompt accounting of all business transactions, facilitate early identification of risks and supply a constant flow of reliable information about the company's financial situation for internal and external purposes. The various components of the internal monitoring and risk management system are designed to recognize business risks at an early stage, to control such risks and to secure the company's business objectives; they cannot, however, prevent such risks completely and do not therefore offer absolute protection against loss or fraudulent actions.

## ACCOUNTING AND AUDITING

The group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS). Until 2003, they were prepared in accordance with US American accounting standards (US-GAAP). The annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

## REMUNERATION OF THE SUPERVISORY BOARD

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to EUR 7,500 per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to EUR 250 for every EUR 0.01 of earnings per share, as disclosed in the Company's consolidated financial statements, which exceeds a minimum amount of EUR 0.10 per share. The minimum amount increases annually by 10 %, beginning in fiscal year 2006. The variable remuneration element is limited to EUR 5,000 per Supervisory Board member.

The members of the Supervisory Board (including Professor Dr. Thoma and Mr. Dobitsch who resigned from the Supervisory Board in 2005) received only a fixed remuneration totaling EUR 21k for fiscal year 2005 (previous year: EUR 35k). The chairman of the Supervisory Board, Mr. Scheeren, received EUR 15k, while Professor Dr. Thoma and Mr. Dobitsch received EUR 3k each. Messrs. Lang, Laffers, Gauger and Regensburger waived their remuneration entitlement.

**Shareholdings and Subscription Rights**

| | Shareholding (units) | Subscription rights (units) |
|---|---|---|
| **Management Board** | | |
| Guy Challen | 0 | 170,000 |
| Stéphane Cordier | 0 | 400,000 |
| Marc Stilke | 0 | 400,000 |
| **Supervisory Board** | | |
| Norbert Lang | 0 | - |
| Andreas Gauger | 1,000 | - |
| Michael Scheeren | 72,656 | - |

## STOCK-BASED COMPENSATION

AdLINK Internet Media AG operates various stock-based compensation programs for its employees which aim to enhance the loyalty of its managers and enable them to participate in the company's success. These programs are based on convertible bonds which can be exchanged for shares and which are covered in capital stock by the respective amounts of conditional capital. One convertible bond can be exchanged for one share, or in some cases for ten shares. On issuance of the convertible bond, the respective employee pays the company the nominal value of the convertible bond. This amount accrues interest during the period of the program. The strike price is the share price at the time of issuance of convertible bonds. After expiry of certain minimum retention periods, employees can exchange their convertible bonds for company shares. Should they decide to buy the shares, they must pay the difference between the strike price and nominal value of the convertible bonds. The difference between the strike price and the share's prevailing market price represents a taxable gain for employees. The convertible bonds have a maturity of no more than six years.

As of December 31, 2005, AdLINK Internet Media AG had issued a total of 275,905 convertible bonds. Should all these bonds be converted into shares, this would correspond to 3.7 % of current capital stock. The average strike price is EUR 3.04. Detailed information on the company's various stock-based compensation programs is provided in the notes to the consolidated financial statements in this annual report.

## DIRECTORS' DEALINGS ACC. TO SEC. 15a WPHG

There were no reportable directors' dealings as specified by Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in fiscal year 2005.

## ANNUAL DECLARATION OF CONFORMITY ACC. TO SEC. 161 AKTG

In 2001 the German government established a commission in order to develop a German Corporate Governance Code. This Code was presented on February 26, 2002. On June 2, 2005 the fourth version of the German Corporate Governance Code was completed and published by the government's electronic Federal Gazette on July 20, 2005.

The corporate governance principles of AdLINK Internet Media AG anchored in the company's statutes (including its articles and rules of procedure), and thus our current and expected future behavior, differ in certain aspects from the recommendations of the German Corporate Governance Code, in the version dated June 2, 2005:

### D&O Deductibles

Should a company take out a so-called D&O insurance policy (directors and officers' liability insurance) for its Management Board and Supervisory Board, the German Corporate Governance Code recommends that a suitable deductible be agreed.

# Corporate Governance Report

AdLINK Internet Media AG does not have any arrangement for deductibles and does not plan to change its current D&O policies.

**Audit Committee**

The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting and risk management, 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.

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 such a (separate) Audit Committee should only be formed if there are more than three members of the Supervisory Board.

**Supervisory Board Compensation**

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 in committees. The Code also recommends that the members of the Supervisory Board receive performance-oriented remuneration in addition to their fixed payments. The Code further recommends that the compensation of the members of the Supervisory Board should be reported in the Corporate Governance Report, on an individual basis and subdivided according to components.

In the case of AdLINK Internet Media AG only the chair position in the Supervisory Board is considered – as long as the Supervisory Board consists of no more than three members and no committees are formed. A performance-related component of remuneration was decided by the Annual Shareholders' Meeting on May 17, 2005. The compensation of the members of the Supervisory Board will be reported for the first time on an individual basis and subdivided according to components in the Corporate Governance Report included in the Annual Report 2005.

Montabaur, March 2006

| | |
|---|---|
| For the Management Board | For the Supervisory Board |
| Guy Challen | Michael Scheeren |

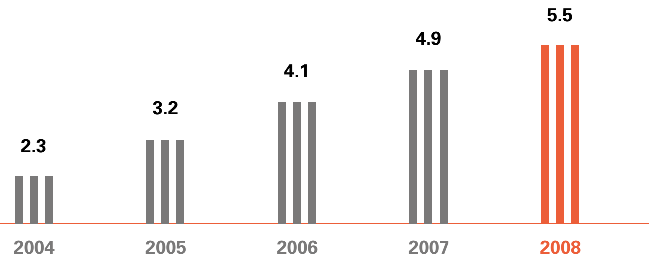
AdLINK

Internet Media AG

The internet has developed into an attractive medium for advertisers. The importance of online marketing is growing from year to year. According to the statistics of JupiterResearch, the European advertising market grew to a volume of EUR 3.2 billion in 2005 — representing year-on-year growth of 39 %.

# The specialists for online marketing

**European online advertising market** (in billion euros)




Source: Jupiter Research

One reason for the sector's success is the continued spread of fast broadband connections. At the same time, the number of internet users is growing, as is the time they spend online. Thanks to broadband, highly effective online advertising formats with moving images and flash animations can now be used. The tools for planning, tracking, reporting and optimizing online campaigns are also becoming more powerful and clearly differentiating themselves from classical advertising — due to the medium's interactivity and direct measurability. Online advertising thus provides advertisers with a clear added value. Its share of total advertising spend will therefore continue to grow.

# The AdLINK Group as an independent specialist for the aggregation and marketing of high-quality websites.

Today's online advertising market can be divided as follows: internet giants like Yahoo!, Google or MSN are generalists in the online marketing business and active in (nearly) all business fields. Then there are the specialists, which focus on specific areas of online marketing.

There are currently two identifiable strategies for the marketing of online advertising space: firstly, portals such as WEB.DE or GMX and the online editions of major publishers, which only market their own websites. Secondly, independent marketers like the AdLINK Group, which specialize in marketing third-party websites. This alignment is particularly beneficial to our successful positioning in the young and highly promising business fields of Affiliate Marketing and Domain Marketing.

**Our specialization provides us with a number of significant advantages over the competition:**

- Independence in the composition of our portfolio / network.
- Better targeting due to the free choice of websites from a widely varied pool of publishers.
- High range with special interest themes.
- Good exportability of our business model: cooperation with local and international publishers rather than in-house content creation for each country.
- Scalable business with high level of automation.
- Thanks to content aggregation, advertisers can book, control and monitor their national and international campaigns via a single interface — offering genuine "one-stop-shopping".

**Three strong brands in three business fields**

AdLINK Internet Media AG unites three key areas of online marketing under a single roof. In our traditional Display Marketing segment, we are represented by the AdLINK brand. As of April 2005, our core competencies now also include Domain Marketing, via the Sedo brand, and Affiliate Marketing via our affilinet brand. The synergy effects resulting from the close cooperation of three specialists under a single corporate roof are an inherent part of our growth strategy. With the integration of Sedo and affilinet, the two brands have gained access to AdLINK's pan-European sales organization and almost

THE BUSINESS MODEL OF ADLINK INTERNET MEDIA AG:


4,000 advertising clients. In turn, the strong AdLINK brand can now offer customers a much wider range of online marketing services from a single source while at the same time benefiting from the strong growth of success-based marketing formats. As a result, we can help optimize the total advertising spend of our clients on their digital marketing mix and offer the best-possible return on their marketing investment.

2005 was a year of strategic realignment for us: we restructured our traditional Display Marketing business and made it fit for the future. At the same time, our acquisition of Sedo and affilinet in the fast-growing domain and affiliate marketing segments of online advertising has provided us with a broader business base and enables us to offer "one-stop-shopping" for all major online advertising and marketing services. AdLINK Internet Media AG is now represented in key areas of online marketing, is strongly positioned in the field of online advertising and can thus participate in the most important and profitable growth segments of the online advertising market.

# AdLINK is Europe's leading independent online marketer

Within its Display Marketing segment the AdLINK name is responsible for branding, image and response advertising. The segment's trump card is its advertising network of top-quality, high-reach websites. Popular, highly frequented sites, such as MTV, expedia.de or ADAC, commission AdLINK to professionally market their advertising space. Almost 4,000 national and international advertising — clients, including Panasonic, Beiersdorf, BASF, Nokia, DELL and Hewlett Packard, book this ad space to build and enhance their brands. In total, AdLINK's network reaches over 69 million users throughout Europe and generates some 5.6 billion page impressions per month.

AdLINK offers its network to advertisers and agencies via three products: for branding activities, AdLINK SELECT offers advertising on our highest-turnover top websites with high reach statistics and brand awareness. AdLINK Audience is also a branding product, focuses more on high-reach, topic-based websites which appeal to specific target groups. Both products are invoiced on a pay-per-view basis (CPM = cost per thousand contacts). In the case of AdLINK Response, advertisers are billed purely according to performance, i. e. on a pay-per-click basis. AdLINK Response is our channel for the sale of products or the generation of qualified customer contacts. In other words, this solution converts viewing contacts into (potential) new customers. AdLINK and the publisher/website owner participates on the revenues generated by the marketing of websites.

In 2005 the food discounter "Plus" first used the internet to advertise products which were exclusively available at its 2,750 stores throughout Germany. The campaign was based primarily on special offers in the chain's weekly supplement, but also included other promotions such as the "Monday Price Hits". Consumers were able to leaf through a digital version of the advertising supplement on the discounter's home page.

In addition to the country's largest web portals, Plus chose the high-quality environment of the OMS daily newspaper combination from AdLINK's portfolio (reach approx. 6.33 million users per month) for its campaign. The ads themselves included high-reach standard formats as well as eye-catching Flash Layer ads. Such Flash Layer formats achieve extremely high awareness levels as they briefly interrupt surfing and thus maximize attention. The Plus chain's "Mini Prices" reached some 5.8 million users during the campaign via the pages of the OMS daily newspaper combination.


AdLINK

**Website owners**

- Optimizing income
- Marketing of content/space
- Indirect access to advertising industry and ad technology

**Advertising network (Aggregation)**

**Planning**

**Matching, Reporting Optimizing, Marketing**

**Advertisers**

- Controllable and measurable ROI
- Independent consulting
- One-stop booking
- Accurate reach of target groups


For the launch of its new 159 limousine, Alfa Romeo selected a high-reach branding campaign on the ViaMichelin website — the online service portal of the known tire brand. With its prize-winning route planner, global maps, auto magazine, travel tips and hotel and restaurant guides, ViaMichelin offers a wealth of information for mobile users in 46 different nations.

The aim of the campaign was to present the Alfa 159 to its target group of car buyers with an affinity for motor sports and to underline the marque's styling and sporty character. In order to create a uniform overall impression, the site's design was adapted to the ad by displaying the entire page in traditional Alfa Romeo colors. For further information visitors were invited to roll over a discreet AdLINK Adappeal area in the top corner of the page to reveal an advertising area for Alfa Romeo placed behind the website. The page peels away from top right to bottom left providing the interested consumer with further information on the Alfa Romeo 159.

To support the special advertising format, a rectangle measuring 300 x 250 pixels displaying the Alfa 159 was integrated seamlessly into the page and appeared exclusively for one week on the site's homepage. In one week the campaign reached over 300,000 people.

## affilinet No.1 in the German affiliate marketing sector

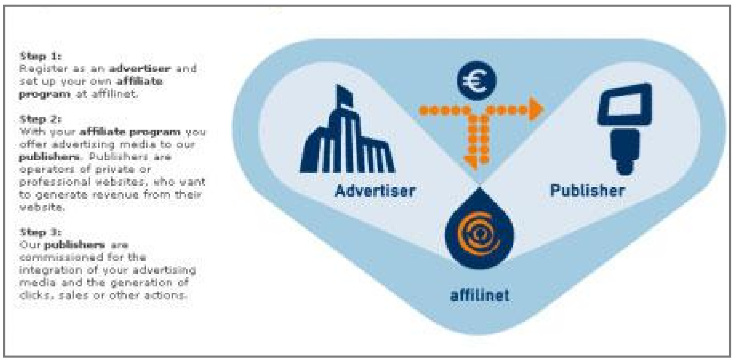
Success-based marketing is becoming ever more important. Affiliate marketing, i. e. marketing with the aid of online partnerships, is one of the biggest growth drivers at present. We serve this market via our affilinet brand. The business is based on our highly automated quality platform www.affili.net — a meeting place for suppliers of affiliate programs and website owners. The affiliate network currently comprises over three billion ad impressions per month, with 290,000 registered publishers and over 770 partner programs.

affilinet acts as a mediator between the affiliate program operators — or advertisers — and their website partners – or publishers. Advertising of the program operators is placed on publisher websites. Publishers can choose from 770 programs on offer, depending on their attractiveness and/or affinity with the website's content. affilinet provides the advertiser with a tool to administer and distribute its advertising, which the publishers places on their websites. By targeting potential customers via the corresponding websites, the advertiser is able to build up a virtual online sales network across a wide variety of websites.

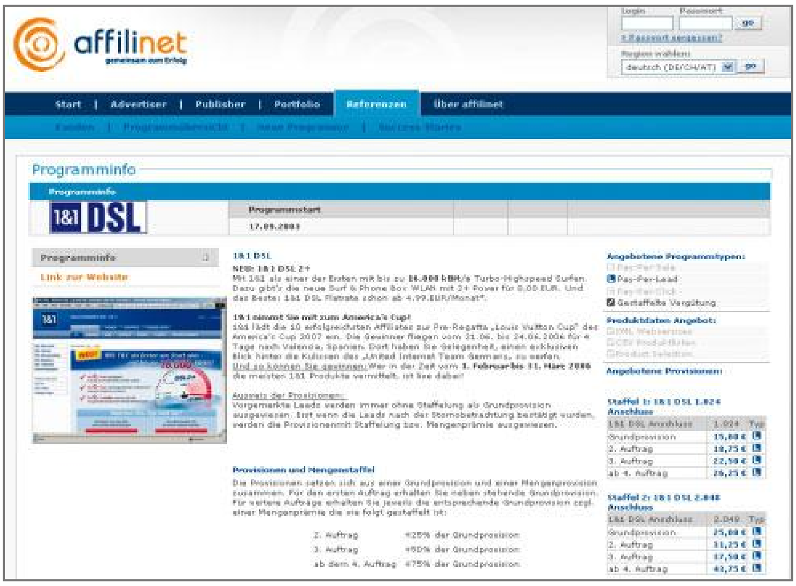
affilinet handles tracking, administration and payment management and receives part of the advertising revenue on a success-oriented basis — i. e. pay-per-click, pay-per-lead or pay-per-sale. The publisher receives part of the revenue for the provision of advertising space and can thus generate income from his website. Advertisers such as ADAC, Otto, eBay and $O_2$ achieve considerable marketing success from the combination of high reach, flexibility and excellent service.

With its acquisition of CibleClick, a leading French network, and its entry into the UK market, affilinet is now represented on Europe's three most important e-commerce markets.

Highly effective: affilinet helps companies achieve success-based marketing in just three short steps.








In the first quarter of 2006, the internet service provider 1&1 marketed its new DSL top product "1&1 2+" via affilinet's publisher network. The aim was to use affiliate marketing in combination with classic marketing channels to raise sales and attract new customers. 1&1 regards affilinet as an extremely fast-growing channel for effective and targeted marketing within its virtual sales network.

A number of measures have been launched to help advertisers recruit high-reach publishers: affilinet's "partner matching" service for active publisher searches and promotions within the affilinet networks, such as newsletters, banners and exclusive self-fitting campaigns in cooperation with affilinet.

1&1 rewarded revenue generation with a remuneration model based on commission and order volume. Partners receive a commission for the acquisition of every DSL customer plus a volume-based bonus for further orders.

The company's innovative "DSL Checker" and "Domain Checker" were dynamically integrated into the pages of participating publishers. For 1&1, therefore, affilinet represents a further sales channel which appeals directly to its target group.

## Sedo — global market leader in domain trading

The Sedo brand represents the AdLINK Group's Domain Marketing segment. Sedo offers a range of services relating to domains, including domain parking, appraisals, transfers and marketing. The www.sedo.com platform currently offers some three million domains for sale. In its domain marketing business, Sedo markets some of these unused domains to advertisers. The number of domains "parked" with Sedo is growing rapidly: from just 50,000 in 2003, to 400,000 at year-end 2004 to over one million domains available for marketing today.

Sedo utilizes unused domains, provided by the domain owners, by placing topic-related advertising on the website. Sedo automatically allocates advertising links to suitable domain names from its portfolio, then presents the links in a standardized layout on the previously content-free domain and can thus display advertising to the relevant target groups on its "parked" domains. Revenues are generated from advertising links placed on domains temporarily or permanently at Sedo's disposal, i. e. parked. Revenue are invoiced on a pay-per-click basis.

Sedo participates on a success-oriented basis in the revenues generated from marketing, i. e. part of the fee for displaying advertising on the parked domains is withheld by Sedo, and the rest is transferred to the domain's owner.

At its website www.sedo.de, the domain exchange Sedo provides a platform for domains to be bought and sold. Particularly attractive, high-quality domains are featured in the "Top domains" category. The so-called "Showcase" section offers domain sellers the possibility to gain preferential placement of their domains. Sedo also offers services such as domain name and portfolio appraisals, as well as a transfer and escrow service for technically correct and safe domain transfers.

A further area of activity is domain brokerage: Sedo helps interested parties acquire their desired domain, even if it is not on offer, by contacting the owner and negotiating on behalf of the customer (who remains anonymous).

**Domain owners**

- Optimizing income
- Process and cost control
- Access to advertising industry

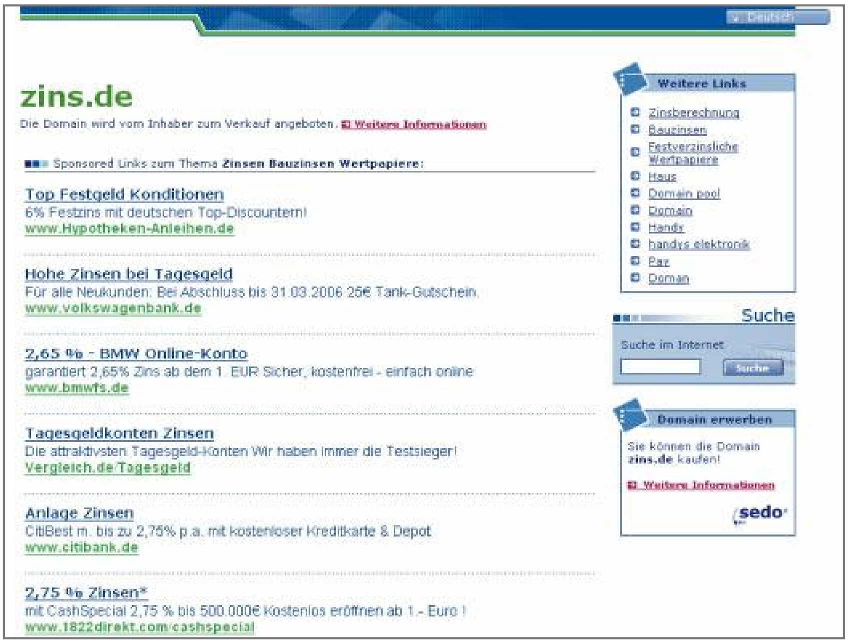
**Domain aggregation**

**Automated Marketing**

**Matching, tracking, reporting**

**Advertisers**

- Controlable and measurable ROI
- High precision concerning target groups
- Process and cost control




One of the most important products is domain parking: in order to bridge the time until a domain is actually sold, owners can park domains for free. This enables them to earn money while also receiving detailed statistics, which can later be used in negotiations. In the case of good generic domain names, customers can earn up to several hundred euros per year (in some cases per month).

If a user visits the website "zins.de", for example, the related "sponsored links" on the subject of interest are displayed. Advertising partners, such as Citigroup, ING Diba or BMW Bank, place targeted advertising, via a provider, on unused domains. If the user clicks on one of the links, he arrives at the advertiser's website and receives further information on the desired interest offer. In return, the domain owner and Sedo receives a agreed cash amount for every click on the link. Domain parking is a profitable and free service for all domain owners with inactive domains. After all, some 50% of all global domains are today unused.

The AdLINK Internet Media AG share made good progress in fiscal year 2005, reflecting the Company's successful business development.

### Share as of December 31, 2005

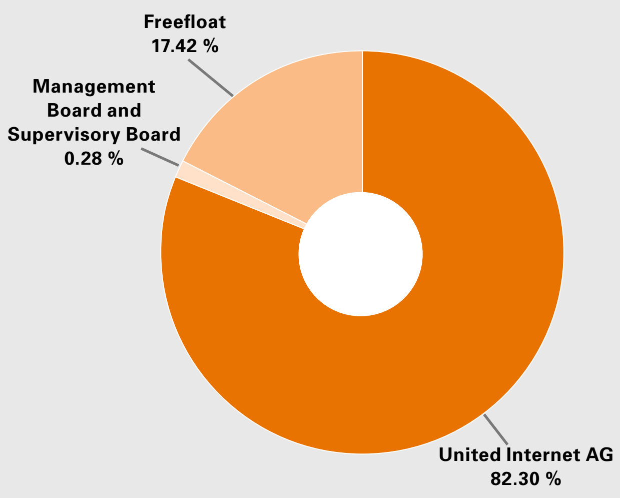
| | 2005 | 2004 |
|---|---|---|
| Market capitalization | EUR 110.1m | EUR 43.9m |
| Year-end | EUR 4.26 | EUR 1.70 |
| Number of shares | 25,851,945 units | 25,805,580 units |
| Year-high | EUR 4.35 | EUR 3.40 |
| Year-low | EUR 1.63 | EUR 1.44 |
| Freefloat | 17.42 % | 17.30 % |

| | |
|---|---|
| ISIN | DE 000 549 015 5 |
| WKN | 549 015 |
| Symbol | LKI |

### Shareholdings and Subscription Rights of AdLINK Management Board and Supervisory Board as of December 31, 2005

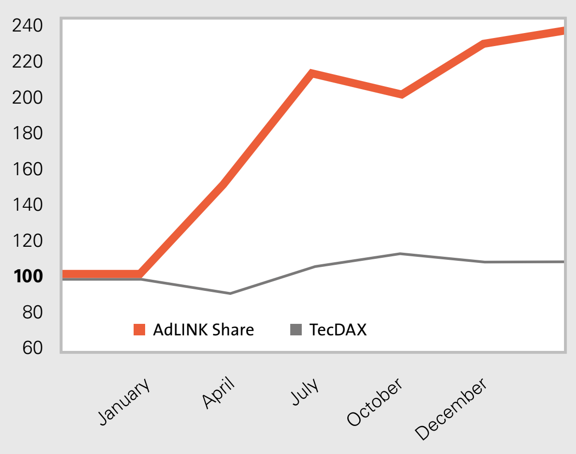
| | Shareholding (units) | Subscription Rights (units) |
|---|---|---|
| Management Board | | |
| Stéphane Cordier | 0 | 400,000 |
| Guy Challen | 0 | 170,000 |
| Marc Stilke | 0 | 400,000 |
| Supervisory Board | | |
| Andreas Gauger | 1,000 | – |
| Norbert Lang | 0 | – |
| Michael Scheeren (Chairman) | 72,656 | – |

### Shareholder structure




### Development 2005 indexed

in %



# The AdLINK share

## SHARE PRICE DEVELOPMENT

The AdLINK Internet Media AG share made good progress in fiscal year 2005, reflecting the Company's successful business development. The share price rose by 150 % in 2005 to EUR 4.26 – outperforming by far the comparative TecDAX index which grew by just 14 %.

## ANNUAL SHAREHOLDERS' MEETING

AdLINK Internet Media AG closed its fiscal year 2004 at the Annual Shareholders' Meeting on May 17, 2005 in Frankfurt. The agenda included a resolution concerning the purchase and sale of treasury shares, a resolution to dissolve the existing Authorized Capital 2000 and to create a new Authorized Capital 2005, a resolution to authorize the issue of warrant and/or convertible bonds and a resolution to reduce the number of seats on the Supervisory Board from six to three. Furthermore the Supervisory Board remuneration was redefined. At the time of voting on the resolutions 85 % of the capital stock was present. The individual items on the agenda were all adopted with majorities of 99 %.

## CHANGE IN THE SUPERVISORY BOARD

In accordance with a resolution adopted by the Annual Shareholders' Meeting, the Supervisory Board of AdLINK Internet Media AG was reduced in size from six to three members. Messrs. Kurt Dobitsch, Lutz Laffers, Ruben Regensburger and Prof. Dr. Helmut Thoma all retired from the Supervisory Board. We would like to thank them for their successful work in the Company's interests. Andreas Gauger, member of the Management Board of 1&1 Internet AG, a subsidiary of United Internet AG, was elected as a new member of the Supervisory Board.

## CHANGE IN THE MANAGEMENT BOARD

Marc Stilke was appointed as a new member of the Management Board of AdLINK Internet Media AG as of April 25, 2005. Mr. Stilke was previously responsible for the Online Marketing segment of United Internet AG. Before joining United Internet AG in 2004, he held management positions at Bertelsmann and Lycos Europe.

## INVESTOR RELATIONS

Following a period of restructuring and repositioning, during which we led the Company back into profitability and realigned our business in the fast-growing segments of online marketing, we aim to seek more intensive contact with the capital market in future. We therefore plan to step up our investor relations activities in 2006 with conferences, one-on-one discussions and roadshows.

Online advertising is a fast growing sector. The AdLINK Group participates in this growth. For the first time, we have posted visible positive earnings.

# Group Management Report

The online advertising market enjoyed strong worldwide growth in 2005. According to preliminary calculations of Interactive Advertising Bureau and Pricewaterhouse-Coopers, online advertising revenues in the USA grew by over 30 % to EUR 10.6 billion. JupiterResearch forecast growth of 39 % to EUR 3.2 billion for the European advertising market in 2005. In Germany, market researchers and trade associations had to repeatedly increase their forecasts for the online advertising market during the past year. The development of the twelve months, from early to late 2005, proves that online advertising has now achieved its breakthrough and firmly established itself in the media mix.

## ECONOMIC ENVIRONMENT

**2005 — the breakthrough year for online advertising**

In August 2005 the online marketing group "Bundesverband Digitale Wirtschaft" (German Digital Economy Association) estimated revenues from online advertising at EUR 750 million. The same group calculated gross revenues from classic online advertising to be EUR 490 million in 2005 (prior year: EUR 385 million, year-on-year increase: 27 %). Search word marketing was expected to reach a total volume of EUR 160 million (prior year: EUR 110 million) in 2005, with growth of 46 %. By the end of the year, one thing was clear: all expectations had been exceeded. Over EUR 885 million was invested in online advertising during 2005, representing a year-on-year increase of 60 %. The lion's share of EUR 535 million was generated by classic display advertising, even though performance-based advertising formats like affiliate marketing once again displayed above-average growth of 75 % to reach revenues of EUR 105 million. According to Nielsen Media Research, German online advertising accounted for over 150 billion ad impressions in 2005. This represents growth around 38 % over the previous year. The most popular advertising formats were mainly large-scale banners. Nielsen Media Research reports that the number of banner campaigns grew in 2005 by 16 % to over 40,000, while the number of individual banners was up by 21 % to over 100,000. Advertisers are therefore consciously choosing different motives for individual campaigns on various websites. Banners are normally invoiced on a pay-per-view basis. In addition to this method, the pay-per-click method has also become firmly established. As an alternative to banners, many advertisers are also choosing so-called interstitials or layers. Thanks to the continued spread of broadband, there was a clear trend toward moving images and Flash animations during the period under review – a trend which has continued in the first few months of 2006. Such formats enable advertisers to communicate emotional messages more effectively and are thus strengthening the internet's acceptance as a suitable medium for brand advertising.

Online advertising is one of Europe's fastest growing sectors. Experts attribute this development to the rapid spread of broadband internet connections, such as DSL, the increased intensity of internet usage and the growing acceptance of online shopping. The internet is now fully accepted as a market place and information medium. Companies are therefore more willing to devote an ever larger proportion of their advertising budgets to online activities. In addition to direct product sales, attention is now turning to the field of branding. The internet is being used increasingly to build brands. Furthermore, the effectiveness of online advertising is constantly improving, thanks to the development of optimization and targeting technologies as well as the introduction of improved formats. The ease with which advertising success can be measured on the internet and the resulting possibilities for optimization mean that online advertising has tremendous potential compared with classic advertising media. In addition to display marketing, growth is expected to be strongest in the so-called affiliate networks. According to forecasts of the German Digital Economy Association, this form of direct marketing will account for a major share of total revenues in 2006.

**Economic recovery adds further impetus to success of online advertising**

At the beginning of 2006, the global economy is going through a period of considerable change: while USA growth is expected to slow markedly in the first half-year, economic research institutes expect rising domestic demand in the Euro zone. This may compensate for slowdowns in those regions which have previously been driving the global economy. The German economy is also on the path to recovery. Although the economy managed growth of just 0.9 % in 2005 (2004: 1.6 %) and exports remain the dominant force, there are increasing signs of a recovery in domestic demand in the early months of 2006. The soccer World Cup, which is being held in Germany this year, is expected to have a strong positive impact on domestic advertising. The mood of both consumers and companies is definitely more upbeat at present. Both investment and consumption are on their way up again. These are favorable conditions for a successful 2006: the country's leading research institutes forecast economic growth of 1.2 % and 2.0 % for the current year.

**Favorable environment for AdLINK Internet Media AG**
Such economic conditions will favor further strong growth of our sector and of our company. Even our direct market environment looks extremely promising: internet acceptance is now strong among those target groups who were not originally open to new technology, and the spread of high-speed broadband connections is making the web even more attractive for all concerned. Over 50 % of all Europeans are now online. And from the advertisers' point of view, the more people using the internet and the more time they spend on it, the more attractive the medium becomes. And the better the technology, the more interesting, varied and effective the formats will be – enabling advertisers to reach their target groups as efficiently as possible. These growing user figures, the spread of broadband and favorable forecasts for e-business, for example, will all positively impact the online advertising industry in future. This market is set for strong growth. The experts of ZenithOptimedia expect online advertising's share of total advertising spend to grow from its current level of 4.6 % to 6.4 % in 2008. It was already apparent in 2005 that advertisers had firmly fixed online advertising on their agenda. The sector has now finally recovered from the slump which followed the end of the New Economy boom. At the beginning of 2006, "it's all systems go" – for the economy as a whole, for our domestic and international markets, and for our business.

2005 was a successful year for our business. We realigned our business and gave it a wider strategic base.

## BUSINESS DEVELOPMENT

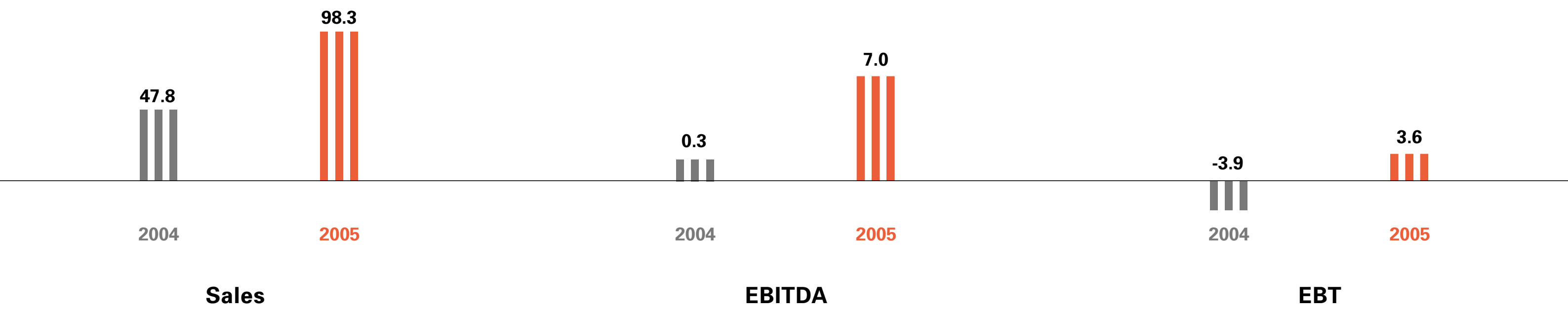
**Strong growth and expansion of our business model**
2005 was a successful year for our business and a year of strategic expansion for our business fields. The market grew strongly – and yet we still outpaced it with growth of over 100% in sales revenues. For the first time since our IPO, we posted clearly positive earnings.

We also realigned our business and gave it a wider strategic base: we developed a new concept for our traditional Display Advertising segment, which aims to enhance success with our most important business partners – major websites and advertisers. In future, we will be able to offer our customers two different advertising networks: AdLINK SELECT and AdLINK TARGET. AdLINK SELECT is a premium portfolio of hand-picked, brand-name websites with leading reach statistics and high-quality, original content. All of these websites feature our new and innovative AdLINK Brandsense advertising formats, with which our customers can run simple, high-reach and highly effective brand campaigns; both in Germany and throughout Europe. This is the first time that advertisers have been able to combine such European reach with quality content environments in a single booking. AdLINK TARGET is a network which enables our customers to reach each month 75 million internet users around Europe with a variety of targeting options: topic-based, socio-demographic, regional or behavior-oriented.

With the acquisition of Sedo and affilinet in the fast-growth segments of online advertising, such as domain and affiliate marketing, we now boast a broader base and can offer all major online advertising and marketing services from a single source.

Our philosophy has remained unchanged though: the customer – whether website owner or advertiser – is at the center of everything we do. We help website owners to maximize their revenues from online marketing and advertisers to get the most for their budgets. We are thus a service provider in the best sense of the word. In the course of the period under review, we were able to enhance our positioning and thus lay the foundation for the coming years.

## Group key figures in EUR million




**Important developments and events during the fiscal year included:**

- **Sales doubled and pre-tax earnings of EUR 3.6 million**

In the period under review, we more than doubled sales over the previous year to EUR 98.3 million. Even more important, though, is the fact that we achieved our first strongly positive result, with earnings before tax of EUR 3.6 million (prior year: EUR -3.9 million).

- **New speaker of the Management Board**

Marc Stilke, previously responsible for the Online Marketing segment of United Internet AG, was appointed as a further member of the Management Board of AdLINK Internet Media AG in the second quarter of 2005.

- **Purchase of Sedo and affilinet**

In April 2005 we acquired equity interests in affilinet GmbH (shareholding: 100 %) and Sedo GmbH (shareholding: 51.07 %) from United Internet AG for around EUR 30 million. The purchase was financed in part by a credit line provided by United Internet AG at standard market conditions. Our shareholding in Sedo GmbH was subsequently raised to 52.14 % in May 2005. During the course of the year, priority was given to the integration of Sedo and affilinet into our product portfolio. Both acquired companies will thus gain access to our pan-European sales organization and to AdLINK's advertising customers. The aim is also to actively support the planned international expansion of both Sedo and affilinet. In turn, the two acquisitions enable AdLINK to offer advertisers and agencies a wider range of online marketing services from a single source. The result: customers can optimize their advertising spend on the digital marketing mix. At the same time, AdLINK Internet Media AG has gained a broader foundation on the online advertising market and can participate in important and highly profitable growth segments.

### With Sedo.com we now run the world's leading domain trading platform

With some 3 million domains on offer, Sedo currently runs the world's largest domain trading platform on the internet. Over 350,000 members around the world trade domains in over ten different languages via Sedo. Several hundred domains are sold every month. Sedo markets some of the domains on offer to advertisers (so-called "domain parking") in order to generate additional revenues for the domain owners. Sedo has locations in the important markets of Germany and the USA. Sedo runs country-specific platform versions for its markets in Germany, France, Spain, the Netherlands, Belgium, Ireland, Great Britain, Sweden and the USA. With the launch of Sedo Pro in late 2005 – a high-quality domain parking product for owners of mid-size and larger domain portfolios – we were able to meet the increased needs of this client group and lay the foundation for further growth in the professional segment.

### Leading German affiliate network

A quality network for affiliate program operators and website owners to market products online is the basis of affilinet's business. affilinet boasts a network of over 290,000 websites, more than 750 affiliate programs, over three billion page impressions per month, high service quality and a flexible and user-friendly product. In Germany, the brand is one of the leaders in its segment with a market share of over 30 %. In fiscal year 2005, the technology and content of the affilinet platform was further improved. The expansion of its marketing and sales activities resulted in the acquisition of numerous new websites and affiliate program operators.

### International presence established

AdLINK, Sedo and affilinet operate in nine European nations: in Belgium, Germany, France, Great Britain, Italy, the Netherlands, Switzerland, Spain and Sweden. Sedo is also active in the USA. For our customers, this offers the advantage of being able to plan, book and control their international campaigns centrally via a single contact partner. The backbone of AdLINK Internet Media AG, one of Europe's largest independent online marketers, is its advertising network of websites offering tremendous reach. Popular sites, such as MTV, Expedia, Lycos, ViaMichelin or ADAC, commission AdLINK to market their advertising space. This space is then booked by some 4,000 national and international advertising customers every year. Companies such as Panasonic, Beiersdorf, BASF, Nokia, DELL and Hewlett Packard use AdLINK for their online campaigns – due in part to the network's pan-European reach. Even in those countries where we have no local offices, e. g. Austria, Norway and Turkey, as well as Asia and South America, AdLINK's cooperation partners provide customers with an extensive network for brand advertising, success-based direct marketing and e-mail marketing.

### Further improvement in key indicators

Our healthy financial figures result to some extent from the positive development of the AdLINK Group's reach. The monthly page impressions of our advertising network, for example, increased from 4.1 billion in 2004 to 5.6 billion in the period under review. In total, the advertising network registers some 69.6 million unique visitors per month throughout Europe. The number of advertising customers fell slightly from 4,100 in 2004 to 3,970 in 2005. The Domain Marketing segment also made encouraging progress: the number of domains on offer climbed from 1.6 million at year-end 2004 to 3.0 million at the close of 2005. Of this total, 780,000 domains (prior year: 400,000) were available for marketing. The number of registered vendors grew during the period under review from 250,000 to 350,000. The most important figures for Affiliate Marketing are the number of affiliated websites, the number of affiliate programs and the number of page impressions per month. All of these figures were up strongly over the previous year: the number of affiliated websites grew from 190,000 to 292,000, affiliate programs were up from 600 to over 770 and monthly page impressions increased from 2.5 billion to around 3.3 billion.

**Acquisition of French affiliate specialist CibleClick**

In December 2005, our subsidiary affilinet GmbH acquired a shareholding of 71.46 % in the affiliate specialist CibleClick Performances S.A., a leading supplier of success-based online marketing in France. In spring 2006 this stake will be increased to 75 %. Like affilinet, CibleClick offers a complete range of services in the field of affiliate marketing. CibleClick's affiliate network comprises some 200 advertising clients and 25,000 websites. Our successful affiliate business has thus been extended to the important French market. With its entry into the UK market in early 2006, affilinet is now represented on Europe's three largest e-commerce markets.

**AdLINK Denmark restructured**

After measures introduced at our Danish subsidiary to improve earnings failed to produce sustained profitability, it was decided in late 2005 to close AdLINK Denmark. Local market structures prevented us from being able to operate a subsidiary profitably in this country. The closure decision resulted in depreciation and one-off expenses of EUR 0.8 million for the fiscal year 2005. The company's management team is currently examining the possibility of continuing existing customer contracts from another Scandinavian location or alternatively seeking a cooperation in Denmark.

AdLINK, Sedo and affilinet operate in nine European countries and in the USA.

**Employees**

**Success made possible by skilled and motivated staff**

In fiscal year 2005 we employed an average of 216 people (2004: average of 153). At the end of 2005, headcount amounted to 267 (prior year: 157). Of this total, 149 were employed outside Germany (prior year: 112). The strong increase in headcount resulted from the integration of affilinet and Sedo, as well as from the growth of our traditional business. Almost every second AdLINK employee works in sales. There were eight apprentices in 2005 (prior year: 1). Personnel expenses grew by 42 % to EUR 15.6 million.

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

## RESULT OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

**Sales revenues**

**Sales revenues doubled**

Fiscal year 2005 was marked by a positive market development, based on two factors: firstly, the volume of the European advertising market, and secondly the proportion of advertising spend in this market devoted to online advertising. We believe this development is due to the growing acceptance of online advertising and its efficiency. Moreover, we believe this trend will continue in the coming years. This market development also helped AdLINK Internet Media AG to achieve organic sales growth in 2005, which was bolstered further by company acquisitions. Sales revenues more than doubled during the period under review. They grew by 106%, from EUR 47.79 million in 2004 to EUR 98.26 million in 2005. As of April 2005, the AdLINK Group's consolidated figures also include the fast growing companies affilinet and Sedo. The growth rates and profitability of these two acquisitions already brought about a significant improvement in our results during their first year of consolidation.

The proportion of sales generated outside Germany amounted to 49 % in 2005 (2004: 85 %). The percentage decline in foreign sales is merely a consequence of the consolidation of the newly acquired companies Sedo and affilinet, which operate predominantly in Germany. In terms of sales, brokerage commissions, customers and employees, AdLINK was able to expand its strong market position. AdLINK is thus one of Europe's leading independent online marketers.

**Earnings**

**First positive net income**

The strong increase in sales and slight improvement in gross margin had a positive impact on our result in 2005: earnings before interest, taxes, depreciation and amortization (EBITDA) improved from EUR 0.3 million in the previous year to EUR 7.0 million, while earnings before taxes (EBT) turned from EUR -3.9 million in 2004 to EUR 3.6 million in the period under review. This was our first clearly positive net income since our IPO in 2000. Following a loss per share of EUR 0.11 in the previous year, we were able to generate a positive earnings per share result of EUR 0.04 in the past fiscal year. In addition to a positive minority interest result of EUR 1.6 million, these figures also consider EUR 1.7 million of non-scheduled goodwill amortization booked in the fourth quarter of 2005 and the negative results of three smaller national subsidiaries. With our strategic portfolio additions, restructuring activities and revaluation of those national subsidiaries in our traditional marketing business which are not yet profitable, we have now laid the foundation for profitable growth in the coming years.

At 23.7 %, gross margin was slightly up on the previous year (23.3 %). This improvement resulted from a more favorable product mix for AdLINK: the proportion of sales generated by AdLINK TARGET Response (formerly Response Republic) was higher than in 2004 and the Domain Marketing segment was not yet included in the 2004 figures. Compared with the increase in revenues, sales expenses grew much more modestly. They amounted to EUR 8.6 million (prior year: EUR 5.4 million), corresponding to 8.8 % of sales revenues (prior year: 11.4 %). The same applies to general and administrative expenses, which fell from 13.1 % of sales in 2004 to 9.7 % in the period under review.

The positive financial result was due mainly to earnings from associated companies of EUR 0.5 million (prior year: EUR 0.4 million). This amount originates from our 50 % interest in AdLINK Switzerland, a joint venture with the Goldbach Media Group.

**Investments and assetss**

**Balance sheet total up to EUR 106.6 million**

The Company's various acquisitions had a significant impact on its asset position in 2005. In April 2005 we acquired interests in affilinet and Sedo from United Internet AG for a purchase price of around EUR 30 million. The move served to strengthen our position in the fast growing affiliate and domain marketing segments. In December, we purchased a majority share of 71.46 % in CibleClick Performances S.A., a leading supplier of affiliate marketing services in France. In our Affiliate Marketing business segment we are now represented in Europe's three most important markets. Of the agreed total purchase price for the shares in CibleClick Performances S.A., a first installment of EUR 10.7 million was paid during the period under review. The remaining amount falls due in early 2006. A firm agreement has been made to raise our shareholding in the company to 75 % during the first few months of 2006. Our majority shareholder, United Internet AG, supported us in both transactions and provided finance, in the form of a credit line, at standard market conditions. The use of this credit line is disclosed as long-term liabilities due to affiliated companies (EUR 32.59 million).

Due to the expansion of our business, we also invested more heavily in property, plant and equipment and intangible assets during 2005 with capital expenditures of EUR 1.1 million (prior year: EUR 0.3 million).

The expansion of business and company acquisitions also resulted in an increase in the balance sheet total, from EUR 34.4 million in the previous year to EUR 106.6 million. Due to the acquisitions, the proportion of total assets represented by goodwill grew to 46 % or EUR 48.7 million (prior year: 29 % or EUR 9.8 million).

Current assets were also impacted by the Company's expansion of business in 2005: they amounted to EUR 42.5 million, compared with EUR 20.6 million in the previous year. In line with the increase in trade receivables to EUR 25.4 million (prior year: EUR 14.3 million), there was a similar rise in trade payables to EUR 26.5 million (prior year: EUR 12.3 million).

In fiscal year 2005, the equity capital of AdLINK Internet Media AG grew to EUR 25.4 million as of the balance sheet date, compared with EUR 17.8 million in the previous year. The main reasons for this increase were the unappropriated net income and the disclosure of minority interests in equity relating to company acquisitions. As a result of the strong increase in the balance sheet total, the Group's equity ratio fell to 23.8 % (prior year: 51.7 %). At year-end 2005, cash and cash equivalents amounted to EUR 10.85 million (prior year: EUR 5.55 million).

## SUBSEQUENT EVENTS

Following the acquisition of the French affiliate marketing company CibleClick in late 2005, we also entered the UK market in early 2006 with our affilinet brand. The move represents our response to the current trend in online advertising, whereby European affiliate program providers are increasingly seeking to book and control their campaigns centrally through a single partner. With our current presence in Germany, France and Great Britain, we can now cover Europe's three most important e-commerce nations.

In the first quarter of 2006 we presented our new strategy in the traditional Display Advertising segment: AdLINK SELECT and AdLINK TARGET. The aim is to enhance loyalty among our most important websites and raise revenues by providing advertisers with a simple and effective set of instruments. By further positioning ourselves as a premium marketer of high-reach, brand-name websites, we expect to accelerate growth in our traditional AdLINK business.

With our new business strategy we expect to accelerate our growth.

In early 2006 we decided to terminate our franchise agreement with AdLINK Austria (no longer a member of the AdLINK Group) as of April 30, 2006. The rights to our name in Austria will be returned. On May 1, 2006 AdLINK starts a joint venture in which we will hold an interest of up to 30%. The joint venture partner is Goldbach Media Group, with whom we already successfully run our joint venture in Switzerland. With this move, we aim to strengthen our international business and hope to transfer the successful concept of our Swiss joint venture to Austria.

There have been no further subsequent events since year-end which would have significantly altered our net assets, financial position or result of operations. In general, the positive development of fiscal year 2005 has continued up to the point of preparation of the annual financial statements.

## RISK REPORT

### Risk management system

The risk management system of AdLINK Internet Media AG identifies, classifies and evaluates risks according to statutory regulations. 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. Our risk management system not only serves to fulfill statutory regulations, but aims to raise corporate value and is thus in the general interest of our lenders and stakeholders.

In particular, the company's risk management system aims to:
- improve risk awareness and transparency;
- identify, monitor and control all major risks in an appropriate way;
- show any build-up of risk and provide reliable management information on the company's risk situation.

Work processes are to be standardized and thus carried out in a uniform manner. A risk management system has the task of providing those responsible with suitable tools for analyzing and evaluating risks. The risk management manual is to be kept and regularly updated by the risk manager.

A central risk manager for AdLINK Internet Media AG is to be given the responsibility of determining the methods and guidelines of the risk management system. He should coordinate and manage reporting on significant risks. This includes a quarterly status check of the risk controlling and reporting lists. A risk inventory and evaluation process is to be carried out once per year. Should the evaluation indicate the necessity for monitoring, appropriate measures to deal with the risk and monitor its development are to be undertaken and included in the quarterly report. Where necessary, the Management Board shall inform the Supervisory Board at the respective Supervisory Board meeting. Risks requiring close monitoring are to be reported to the central risk manager. Within the framework of the risk management system, an „immediate information report" serves to provide up-to-date reports on new risks and all events relevant to ad-hoc reporting. If pre-determined threshold values of the early-warning indicators are exceeded, the related circumstances and necessary countermeasures are documented.

### Risks for future business development

All business activities involve a certain degree of risk. This is particularly true for companies in the internet business and active on the online advertising market. Both markets are subject to a high degree of change regarding the competitive and general economic environment. Should any one or more of the events described below actually occur, it might result in a deterioration of our net assets, financial situation and results of operations. As a consequence, this could have an adverse effect on our share price. We regard the risks and uncertainties for our future development described below as the most significant.

### External risks

#### General economic development

The general economic environment is characterized by an increasing trend toward more intensive and more global competition. The greatest danger results from low economic growth in the respective national markets. As happened already in the past, our advertising customers may react to adverse economic conditions or external shocks by reducing their advertising expenditure or may even terminate their relationship with our advertising network due to insolvency. This may result in a deterioration of our net assets, financial situation and results of operations.

### Operating risks

#### Competition and Market

The growing success of online advertising has raised the intensity of competition on our markets considerably. This increased competition may arise from existing national competitors or major international corporations seeking to extend their activities to the European markets. New competitors might enter the market or advertising companies not yet active in the online segment may extend their operations to the internet. Even major portals are attempting to attract a greater share of advertising budgets. AdLINK Internet Media AG can only influence all of these factors in an indirect and very limited manner. Serious developments of this kind could lead to a deterioration of our net assets, financial situation and results of operations, as advertisers would be able to choose from a wide range of advertising brokers and advertising options. AdLINK Internet Media AG attempts to strengthen the ties to its customers and websites by means of active customer management and the provision of new and innovative advertising products and services. In this way, it aims to counter these risks while maintaining and strengthening its own domestic and international market position.

The positive development continued during the fiscal year 2005.

#### Technological progress/Product development

In all internet markets, technological innovations emerge at very short intervals. For example, new technical possibilities are constantly being made available by marketers to suit the requirements of internet users and integrated into products. If this technological progress is not used correspondingly by our business model to generate competitive advantages, other operators might achieve better product quality, services or processes than ours. This could seriously 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 might also occur if a technical service provider we employ, and whose systems we use for important supplies of advertising formats, does not implement technological innovations or only with delay. As a consequence, we might lose important advertising customers, websites and thus revenue. AdLINK takes action to counter this risk by closely monitoring competitors, the relevant markets and technological developments.

#### Inventory

A key differentiation factor for AdLINK is its portfolio of high-quality and highly frequented websites which advertisers can use. Should AdLINK lose many of these important websites or not have sufficient high-profile advertising sites in its portfolio, it might suffer serious disadvantages and become less attractive for advertisers. Moreover, websites which were previously marketed by service providers such as AdLINK, may decide to start marketing themselves. This loss of revenue may result in a deterioration of our net assets, financial situation and results of operations. AdLINK attempts to counter this risk by providing active website support, improving its service quality (e.g. central invoicing of international websites) and increasing the revenues generated by AdLINK for these websites.

#### Infrastructure/Software systems

AdLINK Internet Media AG uses a variety of IT systems to manage its operations, administer customer data and websites and to execute, monitor and invoice advertising campaigns. Failures or incompatibility within various systems or departments could lead to additional manual efforts, tie up capacities or lead to errors. Certain important data processing systems for the execution of online marketing procedures are not run by AdLINK Internet Media AG itself, but by external service providers. There is therefore a risk that the external provider might fail to honor the terms of the contract (e. g. due to system breakdown), without AdLINK Internet Media AG being able to take any immediate corrective measures. Such situations could endanger operating processes and thus negatively impact our net assets, financial situation and results of the operations. AdLINK attempts to counter this risk by maintaining its own experienced IT department, running various quality assurance measures and carefully monitoring its campaigns. Moreover, AdLINK Internet Media AG permanently examines in which way internal systems could be further standardized in order to improve internal processes and raise the level of customer and website satisfaction.

We widen the basis of our operations by continually adding new customers and extending relations with existing clients.

**Dependency on customers/business partners**

Future budgets of advertisers cannot be predicted over the long term nor can they be influenced by AdLINK Internet Media AG, as advertisers often place new orders for every new campaign. In the case of affilinet and Sedo, a substantial proportion of revenue is often generated with a few major business partners. Should these partners reduce or end their relations with us, this may result in a serious deterioration of our net assets, financial situation and results of operations. AdLINK Internet Media AG takes action to counter this risk by employing experienced key account managers, maintaining close relations with these business partners and providing a convincing range of products and services. Finally, we aim to widen the basis of our operations by continually adding new customers and extending relations with existing clients.

**Pressure on prices/margins**

Fierce competition in the online advertising sector has also led to competition for attractive and highly frequented websites, which provide advertising space. AdLINK Internet Media AG has positioned itself as a European online specialist with a full range of innovative products and special services for its customers and websites. Due to the changing competitive situation in certain countries, AdLINK Internet Media AG might decide to react or take preemptive action by reducing prices in these countries. Such falling prices and/or margins could result in a deterioration of our net assets, financial situation and results of operations.

### Financial risks

**Liquidity**

As of December 31, 2005, the AdLINK Group had net liabilities of EUR 21.7 million. Liabilities from the general loan agreement with United Internet AG amount to EUR 32.6 million. In order to optimize liquidity, AdLINK was integrated into the cash pooling agreement of United Internet AG with the WestLB. As of the balance sheet date, cash and cash equivalents amounted to EUR 10.84 million (prior year: EUR 5.55 million). Due to the profitability we have achieved, we currently enjoy a positive and steadily growing cash flow position. In future, we must make further purchase price payments for the CibleClick acquisition, for which we will probably seek recourse to credit lines provided by United Internet AG. To this extent, our liquidity depends to a certain extent on the economic health and creditworthiness of our parent company United Internet AG, which can currently be regarded as good. At present, therefore, the liquidity of AdLINK Internet Media AG is sufficient to meet all future payment obligations.

### Other risks

**Personnel**

An important factor contributing to the successful operation of AdLINK Internet Media AG are the skills and market knowledge of its employees. There is strong competition for skilled and motivated specialists with specific background knowledge and customer contacts. There is no guarantee that AdLINK Internet Media AG will be able to recruit, integrate and keep such personnel in future. High staff turnover or the loss of key personnel could have an adverse impact on AdLINK Internet Media AG. We counter such risks by pursuing an active personnel development strategy.

**Acquisitions**

Part of our long-term growth strategy involves the possibility of acquiring companies in order to promote quick growth. This might relate to specific markets or niches of online marketing, in which we have no or little involvement at present. In this way, we might decide to supplement our organic growth by acquisitions, should the opportunity present itself. If the acquired companies or company divisions do not fulfill our expectations or their integration prove more difficult or costly than planned, this might result in a deterioration of our net assets, financial situation and results of operations.

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

Of the individual risks mentioned above, we believe that the risks with regard to competition, possible price/margin pressure, loss of major websites and key clients as well as technological progress are the most relevant. They are therefore closely monitored by our risk management system, as well as by the local managers responsible for these issues. On the basis of all data currently available to us, we judge their probability of such adverse developments as low in the short term and moderate in the medium term. On the basis of our analysis of individual risk positions, therefore, we can state that AdLINK Internet Media AG is not currently subject to any influences which directly jeopardize its continued existence.

**Controlled company report**

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

## OUTLOOK/FORECAST

In 2006 we want to grow faster than the market average.

**AdLINK aiming for above-average growth in flourishing markets**

According to a JupiterResearch study, the European online advertising market grew by 39 % to EUR 3.2 billion in 2005. The market research institute expects the total market to reach a volume of EUR 4.1 billion in 2006. By 2008, Jupiter Research expects online advertising in Europe to generate revenue of EUR 5.5 billion. The rapid spread of broadband internet connections means that the internet will be used more intensively in future, making it even more attractive for our customers – advertisers. Broadband technology will also facilitate new advertising formats, for example, the increased use of video clips. Online advertising has thus become more "mature" and will steadily increase its proportion of total advertising spending. We aim to benefit from this development.

With our strong brands – AdLINK, affilinet and Sedo – we believe we are well positioned on the market. The online market is booming and the conditions for online marketing continue to make strong progress. Our European network guarantees a wide reach and the ability to cover all key markets. Our business segments are well established on their respective domestic and international markets and are capable of meeting all customer requirements.

We expect the market segments in which AdLINK Internet Media AG operates to achieve further strong growth in 2006. We aim to share in this growth, both in 2006 and the following years, and to develop faster than the market average.

Montabaur, February 27, 2006

Guy Challen, Chief Financial Officer
Stéphane Cordier, Chief Executive Officer
Marc Stilke, Speaker of the Management Board

# Consolidated financial statements acc. to IFRS

# Balance Sheet acc. to IFRS

**as of December 31, 2005**

| | Note | 31.12.2005<br>EUR | 31.12.2004*<br>EUR |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | (19) | 10,844,941 | 5,545,204 |
| Accounts receivable | (20) | 25,420,864 | 14,272,350 |
| Accounts receivable from associated companies | (21) | 59,051 | 126,675 |
| Accounts receivable from affiliated companies | (22) | 867,519 | 0 |
| Prepaid expenses | (25) | 427,598 | 221,213 |
| Other current assets | (23) | 1,840,011 | 408,311 |
| Other current financial assets | (24) | 3,084,423 | 0 |
| **Current assets** | | **42,544,407** | **20,573,753** |
| Equity investments | (13) | 2,206,940 | 1,952,102 |
| Other financial assets | (14) | 29,855 | 109,192 |
| Property, plant and equipment | (15) | 1,111,490 | 272,471 |
| Intangible assets (without Goodwill) | (16) | 8,606,432 | 220,504 |
| Goodwill | (17) | 48,708,600 | 9,834,000 |
| Deferred tax assets | (18) | 3,356,469 | 1,394,408 |
| **Non-current assets** | | **64,019,786** | **13,782,677** |
| **Total assets** | | **106,564,193** | **34,356,430** |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Accounts payable, trade | (32) | 26,464,150 | 12,266,953 |
| Accounts payable due to associated companies | (33) | 74,146 | 143,018 |
| Accounts payable due to affiliated companies | (34) | 411,863 | 27,760 |
| Accrued taxes | (35) | 4,569,585 | 172,235 |
| Other liabilities | (36) | 12,242,161 | 3,075,091 |
| Provisions | (37) | 316,792 | 307,181 |
| Deferred income | (38) | 921,968 | 267,970 |
| Convertible bonds | (31), (27c, d) | 98,005 | 172,065 |
| **Current liabilities** | | **45,098,670** | **16,432,273** |
| Deferred tax liabilities | (30) | 2,875,520 | 0 |
| Convertible bonds | (31), (27c, d) | 177,900 | 159,805 |
| Long-term liabilities due to affiliated companies | (34) | 32,587,387 | 0 |
| Long-term equity from companies | (4c) | 433,907 | 0 |
| **Non-current liabilities** | | **36,074,714** | **159,805** |
| **Total liabilities** | | **81,173,384** | **16,592,078** |
| **Equity** | | | |
| Capital Stock | (26) | 25,851,945 | 25,805,580 |
| Additional paid-in capital | (28) | 62,047,026 | 59,572,646 |
| Accumulated deficit | | -66,853,265 | -67,881,574 |
| Currency translation adjustments | | 228,409 | 267,700 |
| Minority interest | (29) | 4,116,694 | 0 |
| **Total equity** | | **25,390,809** | **17,764,352** |
| **Liabilities and equity, total** | | **106,564,193** | **34,356,430** |

* We refer to the explanation notes 3)t).

# Income Statement acc. to IFRS

**from January 1 to December 31, 2005**

| | Note | 2005<br>EUR | 2004*<br>EUR |
|---|---|---|---|
| Sales | (39) | 98,258,135 | 47,786,679 |
| Cost of sales | (6) | -74,945,111 | -36,656,503 |
| Gross margin | | 23.7 % | 23.3 % |
| **Gross Profit** | | **23,313,024** | **11,130,176** |
| Selling expenses | (7) | -8,599,436 | -5,440,583 |
| General and administrative expenses | (8) | -9,484,949 | -6,267,891 |
| Asset impairment charges | (9), (18) | -1,679,000 | -21,472 |
| Other operating income/expenses | (10) | -208,503 | 280,323 |
| Amortization of goodwill | (11) | 0 | -4,035,000 |
| **Operating Result** | | **3,341,136** | **-4,354,447** |
| Interest and similar expenses | | -387,798 | -9,200 |
| Interest and similar income | | 133,863 | 82,583 |
| Result from associated companies | (13) | 543,016 | 408,616 |
| **Pre-tax result** | | **3,630,217** | **-3,872,448** |
| Income taxes | (12), (18) | -1,002,554 | 930,814 |
| **Net income** | | **2,627,663** | **-2,941,634** |
| Minority interest | | 1,599,354 | 0 |
| Net income attributable to shareholders of AdLINK Internet Media AG | | 1,028,309 | -2,941,634 |
| **Earnings per share** | | | |
| Loss per share basic and diluted (EUR/share) | | 0,04 | -0,11 |
| Weighted average number of shares outstanding | | 25,833,092 | 25,782,771 |
| Weighted average number of shares outstanding (diluted) | | 26,058,930 | 26,041,523 |

* We refer to the explanation notes 3)t).

# Cash Flows acc. to IFRS

**from January 1 to December 31, 2005**

| | Note | 2005<br>EUR | 2004*<br>EUR |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net income | | 2,627,663 | -2,941,634 |
| **Adjustment to reconcile net income to net cash provided by operating activities** | | **2,983,383** | **3,073,352** |
| **Depreciation and amortization** | | | |
| – Depreciation | | 1,453,121 | 435,116 |
| – Asset impairment charges | (9), (17) | 1,679,000 | 21,472 |
| – Amortization of goodwill | (11) | 0 | 4,035,000 |
| | | **3,132,121** | **4,491,588** |
| Disposals of assets | | 1,365 | 11,863 |
| Cash effect from trade tax compensation | | 2,100,000 | 0 |
| Change in deferred taxes | (18) | -2,277,795 | -1,394,408 |
| Compensation expenses from employee stock option plans | (27 b, c, d) | 355,238 | 375,788 |
| Undistributed profit of associated companies | (13) | -543,016 | -408,616 |
| Distributed profit of associated companies | | 281,462 | 0 |
| Changes in currency translation adjustments (on cash) | | -65,992 | -2,863 |
| **Operative cash flow** | | **5,611,046** | **131,718** |
| **Changes in assets and liablities** | | | |
| Change in receivables and other assets | | -5,594,694 | -1,973,330 |
| Change in receivables from associated companies | | 67,624 | -126,675 |
| Change in receivables from affiliated companies | | -746,080 | 3,971 |
| Change in prepaid expenses | | -49,913 | -117,507 |
| Change in accounts payable, trade | | 3,277,257 | 917,964 |
| Change in accounts payable due to associated companies | | -76,272 | 143,018 |
| Change in accounts payable due to affiliated companies | | 384,103 | -26,493 |
| Change in accrued liabilities | | -48,479 | 232,301 |
| Change in accrued taxes | | 1,735,553 | 149,077 |
| Change in other liabilities | | 667,969 | 329,914 |
| Change in accruals | | 9,611 | -113,464 |
| Change in deferred income | | 660,714 | 5,466 |
| **Changes in assets and liabilities, total** | | **287,393** | **-575,758** |
| **Cash flow from operating activities** | | **5,898,439** | **-444,040** |

* Adjusted, we refer to the explanation notes 3)t).

| Cash flow continued | Note | 2005 EUR | 2004* EUR |
|---|---|---|---|
| **Cash flow from investment activities** | | | |
| Capital expenditure for intangible assets | (16) | -157,762 | -108,705 |
| Capital expenditure for property, plant and equipment | (15) | -913,150 | -161,390 |
| Investments in other financial assets | | 0 | 0 |
| Cash inflow through disposal of assets | | 13,280 | 43,961 |
| Acquisition costs, net of acquired cash | (4a, b, c,) | -32,236,762 | 0 |
| Changes in the consolidation structure | (13) | 0 | -324,727 |
| **Cash flow from investment activities** | | **-33,294,394** | **-550,861** |
| **Cash flow from financing activities** | | | |
| Repayment of granted loans | | 0 | 300 |
| Utilized credit line from affiliated companies | (5b), (34) | 32,587,387 | 0 |
| Conversion of convertible bonds into nominal capital | (26) | 46,365 | 55,580 |
| Additional payments for the exercise of convertible bonds | (26) | 19,142 | 40,762 |
| Payment / repayment of convertible bonds | | 26,900 | 170,000 |
| **Cash flow from financing activities** | | **32,679,794** | **266,642** |
| Net increase / net decrease in cash | | 5,283,839 | -728,259 |
| Cash and cash equivalents at the beginning of the fiscal year | | 5,545,204 | 6,274,322 |
| Effect of exchange rate differences on cash | | 15,898 | -859 |
| **Cash and cash equivalents at the end of the reporting period** | | **10,844,941** | **5,545,204** |
| Deposit of interest | | 105,562 | 89,916 |
| Cash paid for interest | | -2,889 | -11,856 |
| Deposit of taxes | | 20,787 | 93,837 |
| Cash paid for taxes | | -1,627,950 | -406,378 |

# Development of Equity acc. to IFRS

| | Common stock | Additional paid-in capital | Accumulated deficit |
|---|---|---|---|
| | Shares | EUR | EUR |
| **Balance as of January 1, 2004** | **25,750,000** | **59,165,917** | **-64,939,940** |
| Amortization of deferred stock option compensation | 0 | 365,967 | 0 |
| Exercise of Convertible Bonds | 55,580 | 40,762 | 0 |
| Currency translation adjustment | 0 | 0 | 0 |
| Net income | 0 | 0 | -2,941,634 |
| **Balance as of December 31, 2004** | **25,805,580** | **59,572,646** | **-67,881,574** |
| Amortization of deferred stock option compensation | 0 | 355,238 | 0 |
| Compensation for the use of tax losses 1999/2000 through main shareholder | 0 | 2,100,000 | 0 |
| Exercise of convertible bonds | 46,365 | 19,142 | 0 |
| Minority interest | 0 | 0 | 0 |
| Currency translation adjustment | 0 | 0 | 0 |
| Net Income | 0 | 0 | 1,028,309 |
| **Balance as of December 31, 2005** | **25,851,945** | **62,047,026** | **-66,853,265** |

| Amount due for stock option compensation | Currency translation adjustment | Total shareholders' equity | Minority interest | Total company's equity |
|---|---|---|---|---|
| EUR | EUR | EUR | EUR | EUR |
| **-9,820** | **287,839** | **20,253,996** | **0** | **20,253,996** |
| 9,820 | 0 | 375,787 | 0 | 375,787 |
| 0 | 0 | 96,342 | 0 | 96,342 |
| 0 | -20,139 | -20,139 | 0 | -20,139 |
| 0 | 0 | -2,941,634 | 0 | -2,941,634 |
| **0** | **267,700** | **17,764,352** | **0** | **17,764,352** |
| 0 | 0 | 355,238 | 0 | 355,238 |
| 0 | 0 | 2,100,000 | 0 | 2,100,000 |
| 0 | 0 | 65,507 | 0 | 65,507 |
| 0 | 0 | 0 | 2,517,340 | 2,517,340 |
| 0 | -39,291 | -39,291 | 0 | -39,291 |
| 0 | 0 | 1,028,309 | 1,599,354 | 2,627,663 |
| **0** | **228,409** | **21,274,115** | **4,116,694** | **25,390,809** |

# Development of Fixed Assets acc. to IFRS

| | ACQUISITION AND PRODUCTION COSTS | | | | | |
|---|---|---|---|---|---|---|
| | 01.01.2005 EUR | Additions EUR | Additions from acquisition of companies EUR | Disposals EUR | Reclassifi-cations EUR | 31.12.2005 EUR |
| **INTANGIBLE ASSETS** | | | | | | |
| Licences | 1,270,410 | 85,019 | 902,014 | 11,634 | 0 | 2,245,809 |
| Software | 593,909 | 43,984 | 1,483,356 | 2,254 | 66,734 | 2,185,729 |
| Internet platform | 0 | 0 | 1,878,900 | 0 | 0 | 1,878,900 |
| Databases | 0 | 0 | 5,003,600 | 0 | 0 | 5,003,600 |
| Advance payment | 66,734 | 28,759 | 0 | 0 | -66,734 | 28,759 |
| **Subtotal licences/software/advance payment** | **1,931,053** | **157,762** | **9,267,870** | **13,888** | **0** | **11,342,797** |
| Goodwill* | 9,834,000 | 40,553,600 | 0 | 0 | 0 | 50,387,600 |
| | **11,765,053** | **40,711,362** | **9,267,870** | **13,888** | **0** | **61,730,397** |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | | | |
| Operational equipment | 1,308,323 | 913,150 | 353,119 | 379,744 | 0 | 2,194,848 |
| | **1,308,323** | **913,150** | **353,119** | **379,744** | **0** | **2,194,848** |
| **FINANCIAL ASSETS** | | | | | | |
| Shares in associated companies | 2,793,178 | 536,300 | 0 | 281,462 | 0 | 3,048,016 |
| Other financial assets | 109,192 | 0 | 0 | 79,337 | 0 | 29,855 |
| | **2,902,370** | **536,300** | **0** | **360,799** | **0** | **3,077,871** |
| | **15,975,746** | **42,160,812** | **9,620,989** | **754,431** | **0** | **67,003,116** |

*In accordance with the transitional regulation of IFRS 3.79, the scheduled amortization of goodwill pertaining to businesses acquired prior to March 31, 2004 was terminated as of December 31, 2004. The residual values for goodwill were classified as new acquisition costs and since January 1, 2005 no longer amortized in scheduled amounts.

| | ACQUISITION AND PRODUCTION COSTS | | | | | |
|---|---|---|---|---|---|---|
| | 01.01.2004 EUR | Additions EUR | Additions from acquisition of companies EUR | Disposals EUR | Reclassifica-tions EUR | 31.12.2004 EUR |
| **INTANGIBLE ASSETS** | | | | | | |
| Licences | 1,382,079 | 414 | 0 | 112,082 | 0 | 1,270,411 |
| Software | 727,120 | 41,558 | 0 | 174,769 | 0 | 593,909 |
| Advance payment | 10,700 | 66,734 | 0 | 10,700 | 0 | 66,734 |
| **Subtotal licences/software/advance payment** | **2,119,899** | **108,705** | **0** | **297,551** | **0** | **1,931,053** |
| Goodwill | 34,860,166 | 0 | 0 | 0 | -1,793,076 | 33,067,090 |
| | **36,980,065** | **108,705** | **0** | **297,551** | **-1,793,076** | **34,998,143** |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | | | |
| Operational equipment | 2,329,922 | 161,390 | 0 | 1,150,549 | -32,440 | 1,308,322 |
| | **2,329,922** | **161,390** | **0** | **1,150,549** | **-32,440** | **1,308,322** |
| **FINANCIAL ASSETS** | | | | | | |
| Shares in associated companies | 0 | 700,900 | 0 | 0 | 2,092,278 | 2,793,178 |
| Other financial assets | 129,386 | 0 | 0 | 20,194 | 0 | 109,192 |
| | **129,386** | **700,900** | **0** | **20,194** | **2,092,278** | **2,902,370** |
| | **39,439,373** | **970,995** | **0** | **1,468,294** | **266,762** | **39,208,836** |

| ACCUMULATED DEPRECIATION AND AMORTIZATION | | | | | NET BOOK VALUE | | |
|---|---|---|---|---|---|---|---|
| 01.01.2005 EUR | Additions EUR | Disposals EUR | Reclassifications EUR | 31.12.2005 EUR | 01.01.2005 EUR | Currency translation EUR | 31.12.2005 EUR |
| 1,190,586 | 126,321 | 2,072 | 0 | 1,314,835 | 79,824 | 6,189 | 937,163 |
| 519,964 | 291,584 | 2,254 | 0 | 809,294 | 73,945 | 0 | 1,376,435 |
| 0 | 282,200 | 0 | 0 | 282,200 | 0 | 0 | 1,596,700 |
| 0 | 336,225 | 0 | 0 | 336,225 | 0 | 0 | 4,667,375 |
| 0 | 0 | 0 | 0 | 0 | 66,734 | 0 | 28,759 |
| **1,710,550** | **1,036,330** | **4,326** | | **2,742,554** | **220,503** | **6,189** | **8,606,432** |
| 0 | 1,679,000 | 0 | 0 | 1,679,000 | 9,834,000 | 0 | 48,708,600 |
| **1,710,550** | **2,715,330** | **4,326** | **0** | **4,421,554** | **10,054,503** | **6,189** | **57,315,032** |
| 1,035,852 | 416,791 | 370,969 | 0 | 1,081,674 | 272,471 | -1,684 | 1,111,490 |
| **1,035,852** | **416,791** | **370,969** | **0** | **1,081,674** | **272,471** | **-1,684** | **1,111,490** |
| 841,076 | 0 | 0 | 0 | 841,076 | 1,952,102 | 0 | 2,206,940 |
| 0 | 0 | 0 | 0 | 0 | 109,192 | 0 | 29,855 |
| **841,076** | **0** | **0** | **0** | **841,076** | **2,061,294** | **0** | **2,236,795** |
| **3,587,478** | **3,132,121** | **375,295** | **0** | **6,344,304** | **12,388,268** | **4,505** | **60,663,317** |

| ACCUMULATED DEPRECIATION AND AMORTIZATION | | | | | NET BOOK VALUE | | |
|---|---|---|---|---|---|---|---|
| 01.01.2004 EUR | Additions EUR | Disposals EUR | Reclassifications EUR | 31.12.2004 EUR | 01.01.2004 EUR | Currency translation EUR | 31.12.2004 EUR |
| 1,158,332 | 139,383 | 107,594 | 0 | 1,190,121 | 223,747 | -465 | 79,825 |
| 590,800 | 104,106 | 174,943 | 0 | 519,964 | 136,320 | 0 | 73,946 |
| 0 | 0 | 0 | 0 | 0 | 10,700 | 0 | 66,734 |
| **1,749,132** | **243,489** | **282,537** | | **1,710,084** | **370,767** | **-465** | **220,504** |
| 19,740,166 | 4,035,000 | 0 | -542,076 | 23,233,090 | 6,506,601 | 0 | 9,834,000 |
| **21,489,298** | **4,278,489** | **282,537** | **-542,076** | **24,943,174** | **6,877,368** | **-465** | **10,054,504** |
| 1,958,290 | 213,099 | 1,107,563 | -25,332 | 1,038,494 | 371,632 | 2,642 | 272,470 |
| **1,958,290** | **213,099** | **1,107,563** | **-25,332** | **1,038,494** | **371,632** | **2,642** | **272,470** |
| 0 | 299,000 | 0 | 542,076 | 841,076 | 0 | 0 | 1,952,102 |
| 0 | 0 | 0 | 0 | 0 | 129,386 | 0 | 109,192 |
| **0** | **299,000** | **0** | **542,076** | **841,076** | **129,386** | **0** | **2,061,294** |
| **23,447,588** | **4,790,588** | **1,390,100** | **-25,332** | **26,822,744** | **7,378,386** | **2,177** | **12,388,269** |

# Notes

## 1 COMPANY DATA

**Management Board:**
Stéphane Cordier (Chief Executive Officer)
Marc Stilke (Speaker of the Management Board)
Guy Challen (Chief Financial Officer)

**Supervisory Board:**
Michael Scheeren (Chairman)
Norbert Lang (Deputy Chairman)
Andreas Gauger

**Employees**
On December 31, 2005 the AdLINK Group had 267 employees (previous year: 157). The average number of employees was 216 (previous year: 153).

## 2 NATURE OF THE BUSINESS

The purpose of the business of AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, registered under HRB 5432 in Montabaur, Germany (subsequently referred to as "the Company" or "AdLINK") 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 shares are currently traded on the regulated market of the Frankfurt Stock Exchange. Pursuant to Section 161 of the German Stock Corporation Act, AdLINK Internet Media AG's legal representatives have issued a declaration of compliance with the German Corporate Governance Code and made it permanently available to shareholders on the relevant internet page.

The following companies in which AdLINK Internet Media AG holds all shares, directly or indirectly, are included in the consolidated financial statements:

**Media segment**
- AdLINK Internet Media GmbH Germany, Montabaur ("AdLINK Germany"), 100 %
- AdLINK Internet Media AB, Stockholm/Sweden ("AdLINK Sweden"), 100 %
- AdLINK Internet Media S.A., Levallois-Perret/France ("AdLINK France"), 100 %
- AdLINK Internet Media Ltd., London/Great Britain ("AdLINK UK"), 100 %
- AdLINK Internet Media S.L., Madrid/Spain ("AdLINK Spain"), 100 %
- AdLINK Internet Media N.V., Zellik/Belgium ("AdLINK Belgium"), 100 %
- AdLINK Internet Media APS, Copenhagen/Denmark ("AdLINK Denmark"), 100 %
- AdLINK Internet Media B.V., Haarlem/Netherlands ("AdLINK Netherlands"), 100 %
- AdLINK Italy Internet Media Srl, Milan/Italy ("AdLINK Italy"), 100 %
- AdLINK International Internet Sales Ltd., Dublin/Republic of Ireland ("AdLINK International Sales"), 100 %
- AdLINK Benelux Ltd., Dublin/Republic of Ireland ("AdLINK Benelux Ltd"), 100 %
- AdLINK Italy Ltd., Dublin/Republic of Ireland ("AdLINK Italy"), 100%
- AdLINK International Internet Purchasing Ltd., Dublin/Republic of Ireland ("AdLINK International Purchasing"), 100 %

**Affiliate Marketing segment**
- affilinet GmbH, Ebersberg/Germany ("affilinet Germany"), 100 %
- affilinet Ltd., London/Great Britain ("affilinet UK"), 100 %
- CibleClick Performances S.A., Paris/France ("CibleClick S.A."), 71.46 %
- CibleClick S.A.S., Paris/France ("CibleClick S.A.S."), 71.46 %
- CibleClick Ltd., London/Great Britain ("CibleClick UK"), 71.46 %

**Domain Marketing segment**

- Sedo GmbH, Cologne/Germany (“Sedo Germany”), 52.14 %
- Sedo LLC, Cambridge (Boston)/USA (“Sedo USA”), 52.14 %
- DomCollect Worldwide Intellectual Property AG, Zug/Switzerland (“DomCollect”), 52.14 %

On January 1, 2004 AdLINK Internet Media AG sold 50 % of its shares in AdLINK Internet Media AG Zurich/Switzerland („AdLINK Switzerland“) to Goldbach Media AG (“Goldbach“), Küsnacht/Switzerland. In return, Goldbach merged their Swiss online business with AdLINK Switzerland. On December 31, 2005 AdLINK Internet Media AG held 50 % of the shares of AdLINK Switzerland. As in the previous year, AdLINK Switzerland is consolidated as an associated company using the at-equity method. Its results are attributed to the AdLINK segment.

In the course of the fiscal year the non-operating company Composite Digital Media Ltd., London/Great Britain was dissolved. Furthermore, closure procedures were initiated for the non-operating companies AdLINK International Internet Sales Ltd., Dublin/Republic of Ireland (100%), AdLINK Benelux Ltd., Dublin/ Republic of Ireland (100%), AdLINK Italy Ltd., Dublin/ Republic of Ireland (100%) and AdLINK International Purchasing Ltd., Dublin/Republic of Ireland (100%) as well as CibleClick Ltd., London/Great Britain.

The parent company of AdLINK Internet Media AG which prepares the consolidated annual financial statements for the larger circle of companies is United Internet AG.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING, VALUATION AND CONSOLIDATION POLICIES

### a) Basis of preparation

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

The balance sheet date is December 31, 2005. The reporting currency is euro. Amounts stated in the notes to the financial statements are in euro (EUR) or thousand euro (EURk). The consolidated financial statements are always drawn up on the basis of historical costs.

The consolidated financial statements comprise the annual financial statements of AdLINK Internet Media AG and its subsidiaries as of December 31 of each fiscal year. The annual financial statements of subsidiaries, including associated companies, are prepared as to the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

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

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

The following subsidiaries were acquired during the period under review:

- affilinet GmbH, Ebersberg/Germany (“affilinet Germany”), 100 %
- affilinet Ltd., London/Great Britain (“affilinet UK”), 100 %
- CibleClick Performances S.A., Paris/France (“CibleClick S.A.”), 71.46 %
- CibleClick S.A.S., Paris/France (“CibleClick S.A.S.”), 71.46 %
- CibleClick Ltd., London/Great Britain (“CibleClick UK”), 71.46 %
- Sedo GmbH, Cologne/Germany (“Sedo Germany”), 52.14 %
- Sedo LLC, Cambridge (Boston)/USA (“Sedo USA”), 52.14 %
- DomCollect Worldwide Intellectual Property AG, Zug/Switzerland (“DomCollect”), 52.14 %

All the newly acquired companies listed above were reported according to the purchase method. Using this method, at the time of acquisition, capital consolidation takes place by offsetting the purchase price of the business combination against the acquired identifiable assets, liabilities and contingent liabilities measured at fair value. The consolidated financial statements correspondingly include income and expenses of the acquired subsidiaries incurred since purchase. Minority interests are those proportions of the period’s result and net assets which are attributable to shares not held by the Group. Minority interests are disclosed separately under shareholders' equity. The income statement differentiates between profits attributable to minority interests and profits attributable to the shareholders of AdLINK Internet Media AG.

The Supervisory Board approved the consolidated financial statements for 2004 at its meeting on March 15, 2005. The annual financial statements were published in the German Federal Gazette (Bundesanzeiger) on September 2, 2005.

The consolidated financial statements for 2005 were prepared by the Company's Management Board and presented for approval to the Supervisory Board on March 22, 2006.

### b) Compulsory application of new accounting standards

The accounting and valuation policies applied generally correspond to the methods applied in the previous year. Since the end of 2003, the International Accounting Standards Board (IASB) has made a variety of amendments to existing IFRS standards and published new IFRS and interpretations of the International Financial Reporting Committee (IFRIC), which are compulsory for companies – unless otherwise described below – for all fiscal years beginning on or after January 1, 2005. Insofar as these amendments affect the consolidated financial statements, they are presented below and their impact on accounting and valuation policies is described. Significant changes to accounting principles resulted in particular from:

- Stock-based compensation programs (IFRS 2)
- Goodwill (IFRS 3, IAS 36, IAS 38)
- Minority interests

With the adoption of the so-called Improvement Project on December 18, 2003, the IASB also published a series of revised accounting standards. These were the 13 standards IAS 1, IAS 2, IAS 8, IAS 10, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28, IAS 31, IAS 33 and IAS 40. The revised standards are compulsory for fiscal years beginning on or after January 1, 2005. The Company did not make use of its optional right to apply the revised standards at an earlier date. The major resulting changes for the present consolidated financial statements concern the disclosure of minority interests, the statement of management's exercise of discretionary rights and critical accounting estimates.

### c) Voluntary application of new accounting standards

In addition to the above mentioned compulsory IFRS standards for fiscal year 2005, the IASB also published a number of IFRS and IFRICs which have already been endorsed by the EU, but which are not compulsory until a later date. The following only includes those standards and interpretations which might be of relevance for AdLINK Internet Media AG. Earlier, voluntary adoption of this standard is expressly permitted or recommended. AdLINK Internet Media AG, however, does not exercise this option.

On August 18, 2005 the IASB published IFRS 7 "Financial Instruments: Disclosures". This replaces IAS 30 and adopts all regulations included in IAS 32 concerning disclosures in the notes to the annual financial statements. In this connection, amendments and additions were also made to IAS 1 with regard to capital disclosures. The standard results in a fundamental restructuring of disclosure obligations for financial instruments. In particular, details are required regarding management objectives, methods, risks, securities and processes. The disclosure obligations of IFRS 7 and revised detail requirements concerning capital of IAS 1 need not be applied until reporting periods beginning on or after January 1, 2007; earlier application is recommended. The new regulations of IFRS 7 do not result in any changes in valuation for AdLINK Internet Media AG. They do, however, require more detailed explanation in the notes to the annual financial statements.

No significant impact on the Group's net assets, financial situation and results of operations is expected in future from the application of the newly published IFRIC 4 and IFRIC 5, which have already been endorsed by the EU but not yet voluntarily applied by the Company as of December 31, 2005.

### d) Revenue recognition

**Media segment**
In the Media segment, the Company obtains its sales income from the sale of advertising space on internet pages (banners, skyscrapers, interstitials, microsites, pop-ups) with the charges being based upon screening frequency or the number of clicks recorded. Other sales income is generated by sending e-mails and newsletters.

When selling advertising space and placing advertisements, the volume of the sales income is dependent on the coverage achieved. Revenue is recognized if the campaign results correspond to the performance agreement, that is when the relevant screening counts, clicks and registrations are generated. The associated charges are, to a large extent, presented on a monthly basis. In individual cases, charges are made in advance or at the commencement date of the campaign. Some charges made for services already invoiced but not yet performed are posted as deferred income. Services provided but not yet invoiced are defined as accounts receivable.

Amounts agreed with and invoiced to the customer less all rebates and agreed annual bonuses are declared as sales income. The amounts credited by AdLINK to the operators of the websites are expressed as production costs for providing the services required to obtain the sales income. To a large extent, the value of the sales income is expressed on a gross basis, as the full commercial risk of the transaction is carried by AdLINK.

**Affiliate Marketing segment**
The company operates an internet platform for advertisers on the one hand and website owners on the other. The advertisers offer affiliate programs which website operators (publishers) can participate in. As part of these programs, the publishers incorporate the advertisers' messages on their web pages and receive a previously agreed compensation amount. Performance may be based on the number of generated clicks/registrations or the volume of sales generated.

The company invoices the advertiser for the publisher's fee plus its own agreed commission and credits the amount of generated advertising to the publisher. The value of the sales income is expressed on a gross basis, as the full commercial risk of the transaction is carried by the company.

**Domain Marketing segment**
Sedo operates a trading platform for the secondary domain market, i. e. domain owners can sell their domains via the platform. The company also offers domain owners the possibility to market non-used domains for advertising purposes (domain parking). The company generates its revenues in part from sales commission received for the successful marketing of domains, for all services concerning this topic (e.g. domain value assessments and services connected with domain rights transfer, trustee services etc.). Revenue is recognized on completion of the transaction or preparation of the value assessment.

The company also realizes performance-based (mainly per click) advertising revenues from domains which have been "parked". The company receives gross revenues on a monthly basis and pays the domain owners a previously agreed percentage of generated revenues. The value of the sales income is expressed on a gross basis, as the full commercial risk of the transaction is carried by the company.

### e) Cash and cash equivalents

Cash and cash equivalents consist of bank balances, checks and cash which in total exhibit a high degree of liquidity and a residual term of less than 3 months. For the purposes of the cash flow account, cash and cash equivalents also include the funds and short-term balances described above.

### f) Trade accounts receivable

Trade accounts receivable are stated at nominal value net of adequate allowances for doubtful accounts.

Allowances for doubtful accounts are made on the basis of experience in classification of the accounts receivable according to their age and on the basis of other information concerning the impairment of customer-specific accounts.

### g) Other financial assets

In accordance with IAS 39, other financial assets are classified as financial assets held for trading, held-to-maturity investments or available-for-sale assets. The Company currently holds mainly other financial assets held for trading, as they were acquired with the objective of selling in the near future. Any profit or loss is included in the period's result.

### h) Shares in associated companies

Investments in associated companies are valued according to the equity method. The equity held in the associated company is carried in the balance sheet at cost plus any changes in the proportion of net assets of the associated company held by the Group since purchase.

### i) Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation. Gains or losses from the disposal of assets are recognized as other operating income or expenditure.

Property, plant and equipment are depreciated using the straight-line method over their expected useful lives.

The carrying amounts of property, plant and equipment are subjected to impairment tests as soon as there is indication that the book value exceeds the amount it might realize. The respective useful lives and depreciation methods for items of property, plant and equipment are periodically examined, in order to guarantee that the depreciation method and depreciation period correspond to the expected economic life of the items.

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

| | Useful life in years |
|---|---|
| Motor vehicles | 5 to 6 |
| Other operational and business equipment | 3 to 10 |
| Office equipment | 5 to 13 |

### j) Intangible assets (without goodwill)

Until the end of the past year, intangible assets were assumed to have a limited useful life, whereby there was a refutable assumption that the useful life of an intangible asset would not exceed 20 years. In agreement with the revised IAS 38, certain intangible assets are classified as having an unlimited useful life if, after analyzing all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash flows for the Group. In agreement with the aforementioned reasons, the trademarks affilinet® und Sedo® valued as part of the purchase price allocation were classified as assets with an unlimited useful life.

Assets with a limited useful life, such as purchased software, licenses and other rights are stated at acquisition cost less scheduled straight-line amortization over their normal useful life. The amortization period and amortization method are reviewed at the end of each fiscal year.

| | Useful life in years |
|---|---|
| Trademark rights | unlimited |
| Sedo internet platform | 5 |
| Databases | 5 |
| Licenses | 3 to 6 |
| Software | 3 to 5 |

On the basis of management estimates, the brand CibleClick® was assumed to have an amortization period of 2 years, as the Company aims to adopt a standardized brand for the Affiliate Marketing segment. The software platform of CibleClick will be amortized over 1 year, as the Company plans to migrate the software system to the technical platform of affilinet Germany.

### k) Goodwill

With the publication of IFRS 3 “Business Combinations” and the completely revised standards IAS 36 and IAS 38, scheduled amortization was replaced by the so-called “impairment only” method as of March 31, 2004. In accordance with the transitional regulation of IFRS 3.79, the scheduled amortization of goodwill pertaining to businesses acquired prior to March 31, 2004 was terminated as of December 31, 2004. The residual values for goodwill were classified as new acquisition costs and since January 1, 2005 no longer amortized in scheduled amounts. In accordance with IAS 36.90, goodwill is subjected to an impairment test at least once a year as of January 1, 2005. This does not depend on any indication of impairment. In the previous year goodwill was still regularly amortized with a useful life of 6 years. The resulting scheduled amortization amounted to EUR 4,334k.

Goodwill arising from business combinations is initially valued at cost, based on the surplus acquisition cost above the Group’s proportion of the fair value of acquired identifiable assets, liabilities and contingent liabilities. Following initial valuation, goodwill is valued at cost less cumulative impairment.

### l) Impairment of assets

Property, plant and equipment and intangible assets (including) goodwill are reviewed for impairment if circumstances or changes in circumstances indicate that the book value of an asset may not be realizable. As soon as an asset’s book value exceeds the sum that it can realize, an impairment of value is recognized with an effect on net income. The recoverable amount is the higher of fair value less the cost of disposal and value in use. Fair value less the cost of disposal is the amount that can be realized from the sale of an asset, or a cash-generating unit, in a transaction between knowledgeable, willing parties on market terms. The asset's value in use is the cash value of future cash flow to be expected from the asset or cash-generating unit. The recoverable amount is determined individually for each asset or, if that is not possible, for the cash-generating unit to which the asset belongs.

If the value in use of the cash-generating unit is less than the book value of the underlying net asset plus goodwill, an impairment of value is recognized with an effect on net income.

In fiscal year 2005, non-scheduled amortization of the recoverable amount totaled EUR 1,679k (prior year: EUR 21k).

### m) Income taxes

Income taxes are calculated by means of the liability method, whereby deferred tax asset and liability items are recorded for all accounting and valuation differences between the tax base of an asset or liability and its carrying amount in the balance sheet according to IFRS. Deferred tax assets and liabilities are valued on the basis of current tax rates for the respective national subsidiary, which apply for the period in which the temporary differences are expected to be balanced.

The carrying amount of deferred taxes is reviewed on each balance sheet date and reduced, where necessary, by that amount by which it is no longer probable that a sufficient taxable result will be available for which the asset can be used. Deferred tax claims not yet utilized are reviewed on each balance sheet date and carried at the amount by which it is probable that a future taxable result will be available for which the asset can be used.

### n) Management's Exercise of Discretionary Rights and Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Management Board to make estimates and assumptions in certain cases that affect the assets, debts and financial liabilities reported on the balance sheet date as well as the income and expenditures of a reporting period.

Actual results and developments may differ from these estimates and assumptions. Significant future estimates and assumptions were made with regard to the capitalization of deferred tax assets for loss carryforwards and impairment tests for goodwill and other intangible assets. Further estimates were made regarding the useful lives of non-current assets, the formation of accruals, the assessment of impairment regarding trade receivables, the accrual of debt, the determination and valuation of acquired intangible assets as part of the purchase price allocation or the assessment of stock-based compensation programs.

### o) Foreign currency translation

Translation of individual consolidated financial statements produced in a foreign currency is carried out according to the method of the functional currency. The functional currency of each subsidiary company is the local currency of the country where the subsidiary company is located. Consequently assets and liabilities which are shown in the financial statements in a foreign currency (excluding equity capital) are converted into euros at the rate which applied on the balance sheet date. The conversion of revenues and expenses is made using the average exchange rate prevailing during the respective fiscal year. Differential amounts resulting from the foreign currency conversion which arise from valuation of equity capital at an historical rate and the assets and other liabilities on the effective date of the financial statements are stated under equity as a currency adjustment without effect on net income.

### p) Trade accounts receivable

Trade liabilities are carried at their discharge or repayment values.

### q) Provisions

In accordance with IAS 37, provisions are formed if there is a current obligation toward a third party from a past event, which is expected to lead to a future outflow of funds whose amount can be reliably estimated. Provisions which do not already lead to an outflow of funds in the following year are carried at their discounted repayment value as of the balance sheet date. Amounts are discounted at market interest rates. The repayment value includes all expected cost increases.

**r) Earnings per share**

Basic earnings per share is calculated by dividing the result attributable to the owners of registered shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable conversion rights of convertible bonds issued had been exercised. Net income is also adjusted for interest expenses after taxes, payable on potentially exchanged convertible bonds. On December 31, 2005 the capital stock was divided into 25,851,945 registered shares having a theoretical share in the capital stock of EUR 1.00. The weighted average number of shares used for the calculation amounted to 25,833,092 for fiscal 2005. Using this number of units results in earnings per share of EUR 0.04 (previous year: EUR -0.11)

In calculating the diluted number of average outstanding shares, only those options were considered whose strike price was greater than the average share price for the relevant year. The theoretical diluted number of average outstanding shares for the fiscal year which needed to be taken into consideration amounted to 26,058,930. Diluted earnings per share for fiscal year 2005 thus amounted to EUR 0.04.

In the previous year, no dilutive effect had to be taken into consideration for conversion rights resulting from the stock-based compensation program of AdLINK Internet Media AG, as only a theoretical improvement of earnings per share was possible due to the Company's negative result. Diluted earnings per share in fiscal year 2004 thus also amounted to EUR -0.11. The theoretical diluted number of average outstanding shares which needed to be taken into consideration amounted to 26,041,523 in fiscal year 2004.

**s) Stock-based compensation**

In accordance with IFRS 2, all expenses resulting from transactions compensated with equity instruments are valued at the fair value of the granted equity instruments at the time they were granted. Valuation was made with the aid of a binomial model (see note 27 for details). Transactions compensated by means of equity instruments are expensed for the period in which the performance or service conditions are fulfilled with a corresponding increase in equity. This period ends as soon as the respective employee is irrevocably entitled to subscribe for shares ("moment of initial exercise possibility"). From the time of reporting to the moment of initial exercise possibility, the cumulative expenses for transactions compensated with equity instruments reflect that proportion of the waiting period already completed and the number of equity instruments deemed finally vested, according to the Group's best estimate. The amount credited or charged to the income statement reflects the development of the cumulative expenses at the beginning and end of the period under review.

In accordance with the regulations of IFRS 2, expenses resulting from stock-based compensation amounted to EUR 355k in fiscal year 2005.

**t) Retrospective adjustments**

The treatment of stock-based compensation pursuant to IFRS 2 (Share-Based Payment), as described above, is applied for the first time in the period under review. The standard also stipulates that comparative figures for previous years be adjusted accordingly.

In the previous year, the valid standard IAS 19 (Employee Benefits) was applied, although this did not contain any rules about the provision and the evaluation of capital participation benefits. Consequently, in fiscal year 2004 recourse had to be made to interpretations and recommendations outside the IFRS. The accounting and valuation principles APB 25 (Accounting for Stock-Based Compensation) of US-GAAP were therefore applied. This measures the personnel cost on the basis of the difference between the value of the shares when issued and the price at which the employee can acquire them. The personnel cost was divided by the period of duration of the option. In fiscal year 2004, personnel expenses pursuant to these regulations for programs issued after November 7, 2002 amounted to EUR 204k. Personnel expenses for programs issued prior to November 7, 2002 amounted to EUR10k in fiscal year 2004.

On the basis of personnel expenses for programs issued after November 7, 2002 an amount of EUR 366k has been charged for fiscal year 2004. The previous year's result has been adjusted accordingly by the differing amount of EUR 162k between IFRS 2 and the prior-year figure. The amount was charged to administrative expenses. The increase in capital reserves resulting from this transaction also amounted to EUR 162k.

The retrospective adjustments only affected fiscal year 2004 and can be summarized as of December 31, 2004 as follows:

| | Change EURk |
|---|---|
| Capital reserves | 162 |
| Accumulated profit | -162 |
| Net income | -162 |

The application of IFRS 2 has no effect on diluted or undiluted earnings per share for fiscal year 2004.

### u) Subsequent events

Subsequent events are all beneficial or detrimental events which occur between the balance sheet date and the day on which the annual financial statements are released for publication. Events which provide further substantial evidence of matters already apparent on the balance sheet date are included in the consolidated financial statements. Events concerning occurrences after the balance sheet date are presented in the notes to the annual financial statements and in the management report, if they are of material significance.

Up to the publication of this report, however, there were no events of material significance.

### v) Business combinations

IFRS 3 was applied to all business combinations whose contracts were signed on or after March 31, 2004. The most important changes are the abolition of the so-called "pooling of interests" method and the abolition of scheduled amortization of goodwill in favor of the so-called "impairment only" method. The effects for AdLINK Internet Media AG from the initial application of IFRS 3 regulations in connection with changes in IAS 36 and IAS 38 are mainly restricted to the implementation of the "impairment only" method. Please refer to note 3h) for further details.

In the course of its first-time valuation process, the Group values all identifiable assets, liabilities and contingent liabilities fully and at their fair value on the date of acquisition. Minority shareholdings are thus carried at their proportion of the fair value of the assets and liabilities. Please refer to notes 4a), 4b) and 4c) for further details.

Moreover, every intangible asset is now examined to determine whether it has a limited or unlimited useful life. Please refer to note 3j) for further details.

## 4 ACQUISITION OF COMPANIES

### a) Acquisition of shares in affilinet Germany

On April 1, 2005 AdLINK Internet Media AG acquired 100% of shares in affilinet Germany, headquartered in Ebersberg, from the former owner United Internet AG.

As United Internet AG and AdLINK Internet Media AG are parent company and subsidiary, respectively, this acquisition was a transaction concerning the sale of an investment which was jointly controlled. The Company applied the so-called "separate entity approach". According to this method, the acquisition is to be treated pursuant to IAS 8.11 (a) and IFRS 3 as a purchase transaction with third parties.

The fair values of identifiable assets and liabilities of affilinet Germany as of the acquisition date were as stated in the table on top of the next page.

The acquisition costs of the business combination amounted to a total of EUR 16,038,508 and comprised the purchase price as well as costs directly allocated to the acquisition amounting to EUR 52k.

The cash outflows resulting from the company acquisition were as follows:

| | EURk |
|---|---|
| Cash outflow | 16,039 |
| Acquired cash and cash equivalents | 4,171 |
| Actual cash outflow | 11,867 |

In order to finance the purchase price, United Internet AG (seller) provided AdLINK Internet Media AG with a credit line of EUR 15,987. As collateral for the loan, AdLINK Internet Media AG pledged its shares in affilinet Germany to United Internet AG.

| | EURk Carried at acquisition | EURk Book values |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 2,544 | 18 |
| Property, plant and equipment | 237 | 237 |
| Cash and cash equivalents | 4,171 | 4,171 |
| Receivables and other assets | 2,521 | 2,521 |
| Prepaid expenses | 104 | 104 |
| | **9,577** | **7,051** |
| **LIABILITIES** | | |
| Trade receivables | -3,492 | -3,492 |
| Other liabilities | -438 | -438 |
| Accrued taxes | -674 | -674 |
| Accrued debt | -42 | -42 |
| Deferred tax liabilities | -809 | 0 |
| | **-5,455** | **-4,646** |
| Fair value of net assets | 4,122 | 2,405 |
| Goodwill on acquisition | 11,917 | |
| **Purchase price** | **16,039** | |

**b) Acquisition of shares in Sedo Germany**

On April 1, 2005 AdLINK Internet Media AG acquired 51.07% of shares in Sedo Germany, headquartered in Cologne, from the former owner United Internet AG.

As United Internet AG and AdLINK Internet Media AG are parent company and subsidiary, respectively, this acquisition was a transaction in which an investment was sold which was jointly controlled. The Company applied the so-called “separate entity approach”. According to this method, the acquisition is to be treated pursuant to IAS 8.11 (a) and IFRS 3 as a purchase transaction with third parties.

In addition, AdLINK Internet Media AG acquired 1.07% of shares in Sedo Germany from a member of its management.

The fair values of identifiable assets and liabilities of Sedo Germany as of the acquisition date were as follows:

| | EURk Carried at acquisition | EURk Book values |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 3,784 | 187 |
| Property, plant and equipment | 32 | 32 |
| Cash and cash equivalents | 4,894 | 4,894 |
| Receivables and other assets | 1,197 | 1,197 |
| Prepaid expenses | 10 | 10 |
| | **9,917** | **6,320** |
| **LIABILITIES** | | |
| Trade receivables | -1,568 | -1,568 |
| Other liabilities | -75 | -75 |
| Accrued taxes | -1,631 | -1,631 |
| Accrued debt | -19 | -19 |
| Deferred tax liabilities | -1,364 | 0 |
| | **-4,657** | **-3,293** |
| Fair value of net assets | 5,260 | 3,027 |
| Of which 52.14% share acquired by AdLINK: | 2,742 | |
| Goodwill on acquisition | 11,597 | |
| **Purchase price** | **14,339** | |

The acquisition costs of the business combination amounted to a total of EUR 14,339,417 and comprised the purchase price as well as costs directly allocated to the acquisition amounting to EUR 46k.

The cash outflows resulting from the company acquisition were as follows:

| | EURk |
|---|---|
| Cash outflow | 14,339 |
| Acquired cash and cash equivalents | 4,894 |
| Actual cash outflow | 9,445 |

In order to finance the purchase price for the shares in Sedo GmbH, United Internet AG (seller) provided AdLINK Internet Media AG with a credit line of EUR 14,013k. As collateral for the loan, AdLINK Internet Media AG pledged its shares in Sedo Germany to United Internet AG.

Since the point of acquisition, the two companies have contributed an amount of EUR 3,698k to consolidated net income. Had the business combinations taken place at the beginning of the year consolidated net income would have amounted to EUR 3,503k.

### c) Acquisition of shares in CibleClick Performances S.A.

On December 14, 2005 the AdLINK Group acquired 71.46 % of shares in CibleClick Performances S.A., headquartered in Paris, France, via its 100% subsidiary affilinet Deutschland.

The fair values of identifiable assets and liabilities of CibleClick as of the acquisition date were as follows:

| | EURk<br>Carried at acquisition | EURk<br>Book values |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 2,942 | 6,989 |
| Property, plant and equipment | 85 | 85 |
| Cash and cash equivalents | 3,194 | 3,194 |
| Receivables and other assets | 3,391 | 3,391 |
| Prepaid expenses | 42 | 42 |
| | **9,654** | **13,701** |
| **PASSIVA** | | |
| Trade receivables | -5,868 | -5,868 |
| Other liabilities | -866 | -866 |
| Accrued taxes | -357 | -357 |
| Accrued debt | -13 | -13 |
| Deferred tax liabilities | -1,029 | 0 |
| | **-8,133** | **-7,104** |
| Fair value of net assets | 1,521 | 6,597 |
| 71.46% share acquired by AdLINK | 1,087 | |
| Goodwill on acquisition | 17,040 | |
| **Purchase price** | **18,127** | |

The preliminary acquisition costs of the business combination amounted to a total of EUR 18,126,975.15 and comprised the purchase price as well as costs directly allocated to the acquisition amounting to EUR 316k.

In a contract dated December 14, 2005 a shareholding of 71.46 % in CibleClick Performances S.A. was acquired. AdLINK also committed itself to acquiring a further 3.54 % stake in the 2nd quarter of 2006. The purchase price of these first two tranches depends on the audited EBIT result (acc. to French GAAP) for fiscal year 2005 of the CibleClick Group. As the audited financial statements – and thus the final purchase price – will not be known until the 2nd quarter of 2006, the preliminary purchase price was determined on the basis of the reporting statements prepared for consolidation purposes. The preliminary purchase price resulting from this procedure amounts to EUR 17,811k (without ancillary acquisition costs).

The purchase price for the acquired 71.46 % of shares is to be paid by AdLINK in 3 installments. The first purchase price installment for 42.88% amounting to EUR 10,719k was transferred to the existing shareholders on December 14, 2005. The 2nd and 3rd installments are due in the 2nd quarter of 2006.

The purchase agreement grants the existing shareholders of CibleClick Performances S.A. additional put options, which entitle them to sell the remaining 25 % of shares to the AdLINK Group by no later than the 2nd quarter of 2011. The purchase price for the remaining 25 % depends on the audited EBIT results (acc. to French GAAP) of the years prior to the year in which the option is exercised. As the put options grant the minority shareholders the right to sell the remaining 28.54% of shares in CibleClick to the majority shareholder, the resulting minority interests are disclosed as debt in accordance with IAS 32.18 (b).

The cash outflows resulting from the company acquisition were as follows:

| | EURk |
|---|---|
| Cash outflow | 11,035 |
| Acquired cash and cash equivalents | 110 |
| Actual cash outflow | 10,924 |

In order to finance the 1st purchase price installment, United Internet AG provided AdLINK Internet Media AG with a credit line of EUR 10,000k.

Due to the ongoing integration in connection with the acquisition of CibleClick Performances S.A., it is practically impossible to meet the disclosure requirements for notes as required by IFRS 3.70.

## 5 TRANSACTIONS WITH RELATED PARTIES

### a) AdLINK Switzerland

In fiscal year 2004, a service contract was signed between AdLINK Internet Media AG and AdLINK Switzerland. This regulates access of AdLINK Switzerland to services provided by AdLINK Internet Media AG following the establishment of a joint venture agreement with Goldbach Media AG. This relates, in particular, to further involvement of AdLINK Switzerland in the existing DART contract, the inclusion of international website operators into the central accounting system and the use of central systems (especially the invoice handling system).

Under this agreement, AdLINK Switzerland was invoiced EUR 217k (prior year: EUR 155k) for part of the DART costs, EUR 203k (prior year: EUR 210k) for the international websites and EUR 25k (prior year: EUR 22k) for other costs. A further EUR 79k (prior year: EUR 81k) was invoiced with effect on net income for services provided under the service contract and recorded as sales income.

Due to the inclusion of AdLINK Switzerland in the Company's international marketing network, there are also operating service relations between Group companies and AdLINK Switzerland.

### b) United Internet Group

On December 31st, 2005 United Internet AG held 82.30% (prior year: 82.44 %) of the capital stock and is consequently the majority shareholder of AdLINK. The reduced shareholding results solely from an increase in capital stock following the conversion of convertible bonds in 2005.

On April 1, 2005, AdLINK Internet Media AG acquired 100 % of shares in affilinet GmbH from United Internet AG for a purchase price of EUR 15,987k and 51.07 % of shares in Sedo GmbH for a purchase price of EUR 14,031k. Please refer to paragraphs 4)a) and 4)b) for further details on the purchase.

As part of the purchase agreement for the shares of affilinet GmbH and Sedo GmbH, credit lines totaling EUR 30 million were agreed between United Internet AG and AdLINK Internet Media AG to finance the purchase prices. The credit lines have variable interest rates according to the 3-month Euribor rate plus a fixed surcharge. Interest is only paid on that part of the loan actually used by AdLINK Internet Media AG. The credit lines are reduced on May 1 of each year by EUR 2 million, starting in fiscal year 2006, and expire on April 30, 2010.

In an agreement signed on December 16, 2005 a credit line of EUR 10 million was arranged. The credit line agreement serves to finance part of the purchase price for shares in CibleClick Performances S.A. The credit line has a variable interest rate according to the 3-month Euribor rate plus a fixed surcharge. Interest is only paid on that part of the loan actually used by AdLINK Internet Media AG. The credit line is reduced on January 1 of each year by EUR 1 million, starting in fiscal year 2007, and expires on December 30, 2010.

In fiscal year 2005, AdLINK was invoiced an amount of EUR 274k (prior year: EUR 177k) by companies of the United Internet Group for costs mainly relating to personnel, recruitment, facility expenses, insurance, IT, investor relations and PR. Furthermore, the business premises of AdLINK Internet Media AG in Montabaur are rented from United Internet AG. Rental payments in this connection of EUR 139k (prior year: EUR 140k) were paid by AdLINK for the fiscal year 2005. The inter-company relationship regarding trade taxes between AdLINK and United Internet AG was dissolved as of January 1, 2002. A balancing agreement exists between United Internet AG and AdLINK Internet Media AG for tax loss carryforwards of AdLINK used by United Internet during the earlier relationship. On December 29, 2005 an agreement was made between United Internet AG and the Company, which rescinded the original agreement dated May 3, 2002 by payment of a compensation sum totaling EUR 2,100k. The payment was made in fiscal year 2005, so that as of December 31, 2005 the Company held no further claims of any kind against United Internet AG from the former inter-company relationship regarding trade taxes. As compensation resulted from a company relationship, the payment was added to capital reserves without affecting income, as required by IAS 1.

Websites run by GMX GmbH, a subsidiary of United Internet AG, were marketed by AdLINK in Germany and Switzerland under normal commercial conditions. AdLINK marketed GMX online advertising space amounting to EUR 200k (previous year: EUR 125k).

In December 2005, AdLINK Internet Media GmbH Deutschland signed a sub-lease agreement with WEB.DE Beteiligungen GmbH, an indirect subsidiary of United Internet AG. AdLINK Internet Media GmbH Deutschland sublets part of a rented building in Düsseldorf. The agreed terms and conditions are in line with the Company's own conditions.

Moreover, GMX GmbH and 1&1 Internet AG (also a subsidiary of United Internet AG) run affiliate programs in the affiliate network of affilinet Germany. affilinet GmbH generated revenue of EUR 2,968k from these affiliate programs for the months April to December 2005.

1&1 Internet AG and subsidiaries also market some of their unused domains via Sedo Germany. As part of this marketing activity, Sedo paid EUR 69k to the 1&1 Group for the months April to December 2005.

#### c) DoubleClick Group

Until September 22, 2004 the minority shareholder, DoubleClick, held 15% of the Company's capital stock and one seat on the Supervisory Board. On January 28, 2002 AdLINK concluded an agreement over 10 years with DoubleClick International TechSolutions Ltd., Dublin/Republic of Ireland, a subsidiary of DoubleClick, for the provision of DART services, a software-supported technology for delivery and management of online advertising on the internet. Costs of EUR 1,993k (prior year: EUR 1,562k) were invoiced to AdLINK for the DART system in fiscal year 2005. As of December 31, 2005 a trade liability of EUR 200k (prior year: EUR 301k) was recorded to the former minority shareholder from services purchased in connection with the DART system.

#### d) Management Board and Supervisory Board

Mr. Ruben Regensburger, Prof. Dr. Helmut Thoma and Mr. Kurt Dobitsch all resigned as Supervisory Board members on May 17, 2005. At the Annual Shareholders' Meeting of AdLINK Internet Media AG on May 17, 2005, it was decided to reduce the number of seats on the Company's Supervisory Board from 6 to 3. The adoption of this resolution by the Annual Shareholders' Meeting meant that the conditional resignation from the Supervisory Board of Mr. Lutz Laffers became effective as of May 17, 2005. Consequently, the Supervisory Board consisted of only two members. In line with the change in articles, the Annual Shareholders' Meeting elected Mr. Andreas Gauger as a new member of the Supervisory Board.

As of December 31, 2005 the Supervisory Board therefore consisted of Mr. Michael Scheeren (banker), as chairman of the Supervisory Board, Mr. Norbert Lang (member of the Management Board of United Internet AG) and Mr. Andreas Gauger (member of the Management Board of 1&1 Internet AG).

The Chairman of the Supervisory Board, Mr. Michael Scheeren, is also a member of the supervisory board of United Internet AG, Montabaur, and was also a member of the supervisory board of Deutsche Challenge 2007 AG, Munich, for part of the past fiscal year (April 27, 2005 to September 30, 2005). Mr. Michael Scheeren, is also chairman of the supervisory boards of 1&1 Internet AG, Montabaur and NT plus AG, Osnabrück. Mr. Scheeren stepped down as chairman of the supervisory board of twenty4help Knowledge Service AG, Montabaur as of May 18, 2005. In addition to his mandate with AdLINK Internet Media AG, the deputy chairman of the Supervisory Board, Mr. Norbert Lang is also a member of the supervisory boards of twenty4help Knowledge Service AG, Montabaur, and Deutsche Challenge 2007 AG, Munich. Apart from AdLINK Internet Media AG, Mr. Gauger does not sit on any other supervisory boards.

The members of the Supervisory Board received remuneration totaling EUR 21k for fiscal year 2005 (previous year: EUR 35k). On the basis of a consultancy agreement signed with Prof. Dr. Helmut Thoma in 2002 concerning services in connection with the development of customer relations, an additional payment of EUR 20k was made.

At the Annual Shareholders' Meeting of May 17, 2005 a resolution was adopted concerning the amendment of Supervisory Board remuneration, effective from fiscal year 2005. According to this resolution, each member of the Supervisory Board receives a fixed amount of EUR 7,500 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 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 0.10 per share. The minimum amount increases annually by 10 %, beginning in fiscal year 2006. The variable remuneration element is limited to EUR 5,000 per Supervisory Board member.

With a resolution of April 8, 2005, the Supervisory Board appointed Mr. Marc Stilke as a further member of the Management Board of AdLINK Internet Media AG. The Supervisory Board also resolved to pay a part of total remuneration by issuing convertible bonds amounting to a nominal total of EUR 40k, in line with the conditions for stock-based compensation programs as of May 17, 2004 (see also note 27c)). Following the appointment of Mr. Marc Stilke, the Management Board consisted of three members as of December 31, 2005: Guy Challen, Stéphane Cordier and Marc Stilke.

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 2005 amounted to EUR 596k (prior year: EUR 427k). Of this total, the fixed sums amounted to EUR 398k (prior year: EUR 268k) and the variable sums to EUR 198k (prior year: EUR 159k). The remuneration in fiscal year 2005 paid to Mr. Stéphane Cordier amounted to EUR 257k (prior year: EUR 279k), of which EUR 160k (prior year: EUR 154k) was fixed and EUR 97k (prior year: EUR 125k) variable. In the case of Mr. Guy Challen, the total remuneration of EUR 147k (prior year: EUR 148k) consisted of a fixed element of EUR 114k (prior year: EUR 114k) and a variable element of EUR 33k (prior year: EUR 34k). Mr. Stilke received total remuneration of EUR 192k, of which EUR 124k was fixed and EUR 68k variable.

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

| | Shareholding | | Subscription rights | |
|---|---|---|---|---|
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| **Supervisory Board** | | | | |
| Michael Scheeren | 72,656 | 72,656 | - | - |
| Norbert Lang | 0 | 1,345 | - | - |
| Andreas Gauger | 1,000 | 0 | - | - |
| **Management Board** | | | | |
| Guy Challen | 0 | 0 | 170,000 | 170,000 |
| Stéphane Cordier | 0 | 0 | 400,000 | 400,000 |
| Marc Stilke | 0 | 0 | 400,000 | 0 |
| **Total** | **73,656** | **74,001** | **970,000** | **570,000** |

## 6 COST OF SALES

The following table shows a breakdown of cost of sales:

| | 2005 | 2004 |
|---|---|---|
| | EURk | EURk |
| Direct product costs | 68,272 | 31,439 |
| Personnel expenditure | 5,311 | 4,138 |
| Depreciation | 139 | 88 |
| Other costs | 1,223 | 992 |
| **Total** | **74,945** | **36,657** |

## 7 SELLING EXPENSES

The following table shows a breakdown of selling expenses:

| | 2005 | 2004 |
|---|---|---|
| | EURk | EURk |
| Personnel expenses | 5,628 | 3,823 |
| Depreciation | 226 | 95 |
| Other costs | 2,745 | 1,523 |
| **Total** | **8,599** | **5,441** |

## 8 GENERAL AND ADMINISTRATIVE EXPENSES

The following table shows a breakdown of general and administrative expenses:

| | 2005<br>EURk | 2004*<br>EURk |
|---|---|---|
| Personnel expenses | 4,652 | 3,208 |
| Depreciation | 1,089 | 252 |
| Other costs | 3,744 | 2,808 |
| **Total** | **9,485** | **6,268** |

* We refer in this connection to note 3)t)

## 9 ASSET IMPAIRMENT CHARGES (INCLUDING GOODWILL)

In connection with impairment tests of capitalized goodwill, the negative business development of the companies AdLINK Italy, AdLINK Denmark and AdLINK Sweden required amortization allowances to be made. Amortization was made as follows: AdLINK Italy EUR 200k, AdLINK Denmark EUR 631k and AdLINK Sweden EUR 848k. For further information on impairment tests of existing goodwill, please refer to note 17.

The prior-year amount related to unscheduled depreciation of EUR 21k in connection with leasehold improvements by AdLINK UK, due to a move to new premises.

## 10 OTHER OPERATING INCOME / EXPENSES

The other operating items of income and expense were as follows:

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| Currency gains / losses | -115 | -20 |
| Accounts receivable losses | -195 | 196 |
| Other | 101 | 104 |
| **Total** | **-209** | **280** |

The increase in currency losses is due in particular to the initial consolidation of Sedo Germany and Sedo LLC. Activities in the USA incurred currency losses of EUR 180k, which were balanced in part by currency gains in AdLINK UK.

In fiscal year 2004, the Company benefited from the introduction of improvements in the management of accounts receivable. This resulted in non-recurring income in the previous fiscal year.

## 11 AMORTIZATION OF GOODWILL

In the previous year, capitalized goodwill was still amortized in scheduled amounts. The assumed useful life was taken as 6 years. Scheduled amortization of goodwill amounted to EUR 4,334k in the previous year, of which EUR 299k was included in the investment result of AdLINK Switzerland. Please see note 13 for more details.

## 12 INCOME TAXES

The income taxes were made up of the following:

| | Note | 2005<br>EURk | 2004<br>EURk |
|---|---|---|---|
| Posted taxes for earlier periods | | 0 | -38 |
| Posted taxes for the current period | | -3,281 | -425 |
| Reversal of deferred tax liabilities | | 326 | 0 |
| Reversal of deferred tax assets | 18) | -1,142 | 0 |
| Capitalization of deferred tax assets | 18) | 3,094 | 1,394 |
| **Total** | | **-1,003** | **931** |

Of posted taxes for the current fiscal year, the main amounts relate to AdLINK Netherlands, Sedo Germany, Sedo USA and affilinet Germany, as there were no longer any loss carryforwards for these companies.

In fiscal year 2005, part of the loss carryforwards of our Belgian (EUR 180k) and Spanish (EUR 385k) subsidiaries were also capitalized, as sustained improvements in the business situation of both companies makes their use probable.

The Annual Shareholders' Meeting of May 17, 2005 approved a profit transfer agreement between AdLINK Germany and AdLINK Internet Media AG. Moreover, subject to approval of the Annual Shareholders' Meeting 2006, the Company plans to conclude a profit transfer agreement between affilinet Germany and AdLINK Internet Media AG. This will enable us to utilize loss carryforwards of AdLINK Internet Media AG. Partial capitalization of deferred taxes amounted to EUR 2,529k.

Due to the profit transfer agreement between AdLINK Germany and AdLINK Internet Media AG, however, the capitalized loss carryforwards of AdLINK Germany cannot be used in the foreseeable future and the capitalized amount of EUR 1,091k from the previous year was thus reversed. The regular utilization of loss carryforwards of the English subsidiary also led to a reversal of EUR 38k in the deferred tax assets created. The total amount of capitalized loss carryforwards for the English subsidiary amounted to EUR 303k in the prior year.

## 13 SHARES IN ASSOCIATED COMPANIES

In fiscal year 2004 a joint venture with Goldbach Media AG was implemented in Switzerland. In this connection, 50 % of shares in AdLINK Switzerland were ceded. The Group's shareholding in AdLINK Switzerland is thus 50 %, but on the basis of the Shareholders' Liability Agreement with Goldbach Media AG, operative monitoring of business activities was transferred to Goldbach Media AG. This resulted in a change from full consolidation to the equity method. The consolidation of AdLINK Switzerland was also effected in fiscal year 2005 using the equity method.

| | 2005<br>EURk |
|---|---|
| Opening amount | 1,952 |
| of which goodwill | 952 |
| Result 2005 | 536 |
| Dividend payment 2005 | -281 |
| Closing amount | 2,207 |
| of which goodwill | 952 |

The accounting procedures adopted relating to shares in associated companies are in line with IFRS.

The equity result of AdLINK Switzerland is composed as follows:

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| Attributable profits available for dividends | 536 | 326 |
| Attributable profits not available for dividends | 7 | 7 |
| Capitalized deferred taxes | 0 | 375 |
| Scheduled goodwill amortization | 0 | -299 |
| **Equity result** | **543** | **409** |

As of December 31, 2004, AdLINK Switzerland had tax loss carryforwards of CHF 16,976k. As the company reached critical mass in the Swiss market following the joint venture agreement, tax loss carryforwards of AdLINK Switzerland were partially capitalized in the previous year in the amount of CHF 6,135k. The remaining amount of CHF 10,841k was not capitalized as its future usability was regarded as too uncertain.

Due to taxable net income of CHF 1,685k, capitalized loss carryforwards were reduced to CHF 4,450k. On the basis of the company's strong progress and positive future prospects it was decided, however, to raise used loss carryforwards to the prior-year level by revaluing previously adjusted loss carryforwards. It was decided not to capitalize the remaining loss carryforwards of CHF 9,158k due to the high uncertainty of the online business. A local tax rate of 18.85% was used for the calculation of capitalized deferred taxes. On this basis, deferred tax assets for tax loss carryforwards amounted to CHF 1,556k or EUR 743k as of December 31, 2005.

## 14 OTHER FINANCIAL ASSETS

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| Other financial assets | 30 | 109 |

As in the previous year, other financial assets of the period under review concern accounts receivable from employees resulting from the financing of subscriptions to convertible bonds of AdLINK. The reduction resulted from repayments in connection with conversions and from the expiry of convertible bonds in fiscal year 2005.

## 15 PROPERTY, PLANT AND EQUIPMENT

Additions of EUR 353k result from the net carrying values of assets belonging to companies acquired in 2005. Investments of EUR 913k were also made during the year, mainly for expansion and replacement purchases of workstations and servers. Further major investments concerned the equipping of new business premises for AdLINK UK and the purchase of company vehicles.

## 16 INTANGIBLE ASSETS (WITHOUT GOODWILL)

The largest share of additions to intangible assets (EUR 9,063k) resulted from purchase price allocations according to IFRS 3. The acquired trademarks, software, databases and platforms were all identified and valued.

In addition, an amount of EUR 206k resulted from the carrying values of assets belonging to companies acquired in 2005.

Additions of EUR 158k resulted from actual investments. These investments mainly concerned the modernization and development of existing infrastructure and standard software.

The down-payments made in 2004 for the development of our own e-mail database were capitalized as scheduled in 2005. The down-payments in the current fiscal year relate to the introduction of SAP modules in three further business units.

## 17 GOODWILL

Goodwill acquired as part of business combinations was subjected to impairment tests for the cash-generating units listed below. As of December 31, 2005 goodwill was divided as shown in the table below.

The comparative values for 2004 were as stated in the table on the next page.

In addition to the amounts given, there is in 2004 and 2005 goodwill of EUR 952k included in the equity investments for AdLINK Switzerland.

As the goodwill in question concerns intangible assets with an unlimited useful life, an impairment test is carried out at least

| **2005** | As of Jan. 1, 2005 | Additions | Non-scheduled amortization 2005 | Net |
|---|---|---|---|---|
| | EURk | EURk | EURk | EURk |
| AdLINK Belgium | 440 | - | - | 440 |
| AdLINK Denmark | 631 | - | 631 | 0 |
| AdLINK France | 1,183 | - | - | 1,183 |
| AdLINK Germany | 1,631 | - | - | 1,631 |
| AdLINK Italy | 464 | - | 200 | 264 |
| AdLINK Netherlands | 1,200 | - | - | 1,200 |
| AdLINK Spain | 1,726 | - | - | 1,726 |
| AdLINK Sweden | 848 | - | 848 | 0 |
| AdLINK UK | 1,711 | - | - | 1,711 |
| affilinet Germany | - | 11,917 | - | 11,917 |
| Sedo Germany | - | 11,597 | - | 11,597 |
| CibleClick Holding | - | 17,040 | - | 17,040 |
| **Goodwill total** | **9,834** | **40,554** | **1,679** | **48,709** |

| 2004 | | | Depreciation | | | |
|---|---|---|---|---|---|---|
| | Gross | Reclassification | Scheduled 2004 | Allowance 2004 | Cum. scheduled and unscheduled previous years | Net |
| | EURk | EURk | EURk | EURk | EURk | EURk |
| Axial | 1,794 | -1,794 | - | - | - | 0 |
| AdLINK Belgium | 1,354 | - | 205 | - | 709 | 440 |
| AdLINK Denmark | 1,228 | - | 204 | - | 393 | 631 |
| AdLINK France | 7,656 | 1,794 | 681 | - | 7,586 | 1,183 |
| AdLINK Germany | 3,174 | - | 529 | - | 1,014 | 1,631 |
| AdLINK Italy | 903 | - | 150 | - | 289 | 464 |
| AdLINK Netherlands | 2,710 | - | 442 | - | 1,068 | 1,200 |
| AdLINK Spain | 3,362 | - | 478 | - | 1,158 | 1,726 |
| AdLINK Sweden | 4,947 | - | 553 | - | 3,546 | 848 |
| AdLINK UK | 5,939 | - | 793 | - | 3,435 | 1,711 |
| **Goodwill total** | **33,067** | **-** | **4,035** | **-** | **19,198** | **9,834** |

once per year on the level of the cash-generating units. The recoverable amount of the cash-generating units is calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based mainly on the following assumptions:

Company planning is based on the budget for fiscal year 2006 as approved by the Supervisory Board. On the basis of this planning, sales expectations are extrapolated to 2010 according to external market studies. The planned gross profit margins are based on the market assumptions of the respective local management. Cash flows after this five-year period are extrapolated on the basis of an annual growth rate of 1 %. The discounted interest rate used for the cash flow forecasts was between 12 % and 15 %, according to the respective cash-generating unit.

## 18 DEFERRED TAXES

Deferred taxes are the expected income tax expenses or refunds resulting from differences between the carrying amounts of assets and liabilities in the annual financial statements according to IFRS and the tax values used to calculate the taxable result. Deferred taxes are formed to the extent to which it appears probable that a taxable result will be available for which the deductible, temporary difference can be used.

The carrying amount of deferred taxes is reviewed on each balance sheet date and reduced, where necessary, by that amount by which it is no longer probable that a sufficient taxable result will be available for which the asset can be used.

Under German tax law, income taxes comprise corporate income tax and trade earnings tax together with the solidarity surcharge. AdLINK Internet Media AG pays an average trade earnings tax rate of about 14% which is deductible when determining corporation tax. This gives an effective tax rate of approximately 10.4 %. A supplementary solidarity surcharge of 5.5% is levied on the domestic corporation tax of 25%.

In accordance with IAS 12, deferred tax assets are recognized for future benefits associated with tax loss carryforwards. The time limit for utilizing net loss carryforwards in different countries is as follows:

- Belgium: indefinite
- Denmark: up to 2002, 5 years; after 2002 indefinite
- Spain: 15 years
- Great Britain: indefinite
- France: indefinite
- Sweden: indefinite
- Italy: 5 years
- Germany indefinite, but minimum taxation

The following table provides a summary of the existing losses carried forward.

| | EURk | Taxation rate |
|---|---|---|
| Germany | | |
| – Corporation tax losses | 29,105 | 26.4 % |
| – Trade tax losses | 13,318 | 10.4 % |
| Sweden | 4,693 | 28.0 % |
| France | 3,973 | 33.3 % |
| Spain | 1,753 | 35.0 % |
| Denmark | 1,590 | 30.0 % |
| Belgium | 1,220 | 34.0 % |
| Great Britain | 1,209 | 30.0 % |
| Italy | 1,079 | 33.0 % |

Deferred taxes were calculated using a composite tax rate for each country.

The carrying amounts for deferred taxes relate to assets based upon tax loss carryforwards (EUR 3,356k). The Company capitalized deferred taxes for all companies which already generated positive, taxable earnings in fiscal year 2005 and for whom a positive EBT is already forecast in budget planning. For reasons of caution, only those tax loss carryforwards were capitalized, which are likely to be utilized within three years. The division and changes in deferred taxes can be seen from the following table:

| Company | Prior year EURk | New recog-nition EURk | Reversal EURk | Currency EURk | Final status EURk |
|---|---|---|---|---|---|
| AdLINK AG | - | 2,529 | - | | 2,529 |
| AdLINK Germany | 1,104 | - | -1,104 | | - |
| AdLINK UK | 290 | - | -38 | 10 | 262 |
| AdLINK Spain | - | 385 | - | | 385 |
| AdLINK Belgium | - | 180 | - | | 180 |
| **Total** | **1,394** | **3,094** | **-1,142** | **10** | **3,356** |

With regard to changes in fiscal year 2005, please refer to the explanations under note 12). Deferred taxes for loss carryforwards amounting to a total of EUR 10,573k (prior year: EUR 14,234k) were not activated because the probability of being able to use them was not sufficiently great as of the balance sheet date.

Reconciliation of the overall tax rate to the effective tax rate of the Company was carried out as follows:

| | 2005 EURk | 2004 EURk |
|---|---|---|
| **Net income before tax** | **3,630** | **-3,872** |
| **Tax rate** | **36.80 %** | **36.80 %** |
| Anticipated tax income/expense | -1,336 | 1,425 |
| Goodwill amortization non-deductible for tax purposes | -618 | -1,485 |
| Capitalization of deferred taxes on loss carryforwards, not formed in previous years | 1,962 | 1,394 |
| Tax losses of the fiscal year, not capitalized | -542 | -716 |
| Utilization of tax loss carryforwards, not capitalized in previous years | 439 | 245 |
| Income and expenses non-deductible for tax purposes | -506 | -63 |
| Effect of the compensation payment of United Internet AG in connection with the utilization of loss carryforwards | -773 | 0 |
| Expenses from shareholder financing, non-deductible for tax purposes | -142 | 0 |
| Differences in tax rates between AdLINK and its subsidiaries | 313 | -20 |
| Non-taxable at-equity result | 200 | 151 |
| **Tax income/expense** | **-1,003** | **931** |

## 19 CASH AND CASH EQUIVALENTS

| | 2005 EURk | 2004 EURk |
|---|---|---|
| Bank balances and cash in hand | 10,796 | 5,506 |
| Restricted cash | 49 | 39 |
| **Cash and cash equivalents** | **10,845** | **5,545** |

Restricted cash amounting to EUR 49k relates to collateral for rent guarantees (prior year: EUR 39k).

As of December 31, 2005 the Company had freely available unused credit lines of EUR 7,413k on the basis of credit line agreements with United Internet AG.

## 20 TRADE ACCOUNTS RECEIVABLE

| | 2005 EURk | 2004 EURk |
|---|---|---|
| Trade accounts receivable | 26,777 | 15,569 |
| Bad debt allowances | -1,356 | -1,297 |
| **Trade accounts receivable, net** | **25,421** | **14,272** |

The significant rise in receivables results from the initial consolidation of affilinet and Sedo (effect: EUR 8,055k). The remaining increase of 23 % is due to increased business volume.

## 21 ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

The total amount of EUR 59k (prior year: EUR 127k) relates to accounts receivable from AdLINK Switzerland.

## 22 ACCOUNTS RECEIVABLE FROM AFFILIATED COMPANIES

All accounts receivable from affiliated companies amounting to EUR 868k (prior year: EUR 0) relate to 1&1 Internet AG or its subsidiaries. The rise results mainly from the initial consolidation of affilinet GmbH, which has extensive operating relations with the 1&1 Internet Group.

## 23 OTHER ASSETS

| | 2005 EURk | 2004 EURk |
|---|---|---|
| Accounts receivable from the German tax office (sales tax, interest income tax) | 949 | 131 |
| Security deposits | 296 | 255 |
| Accounts receivable from employees | 28 | 16 |
| Others | 567 | 6 |
| **Other assets** | **1,840** | **408** |

The security deposits result from rental agreements with individual subsidiary companies. The strong rise in receivables from the German tax office results mainly from the initial consolidation of affilinet (effect: EUR 856k).

## 24 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets consist of marketable fund deposits.

## 25 PREPAID EXPENSES

| | 2005 EURk | 2004 EURk |
|---|---|---|
| Rent and associated costs | 128 | 127 |
| Sales tax on down-payments | 138 | - |
| Others | 162 | 94 |
| **Prepaid expenses** | **428** | **221** |

## 26 CAPITAL STOCK

By making partial use of the conditional capital, capital stock in 2005 amounting to EUR 25,805,580 was increased to EUR 25,851,945 through the issue of 46,365 new registered ordinary shares to the value of EUR 46,365 against payment by cash. In fiscal year 2005, cash contributions result from the conversion of convertible bonds issued as part of the stock-based compensation program. On December 31, 2005, capital stock amounted to 25,851,945 registered shares each having a theoretical share in the capital stock of EUR 1.

As of December 31, 2005 the capital stock was held as follows:

| | EURk | % |
|---|---|---|
| United Internet AG | 21,275 | 82.30 |
| Freefloat shareholders | 4,503 | 17.41 |
| Management Board and Supervisory Board | 74 | 0.29 |
| **Total** | **25,852** | **100.00** |

The authorized and conditional capital of AdLINK was as follows:

| As of December 31, 2005 | EURk | EURk Outstanding |
|---|---|---|
| Capital stock | 25,852 | 25,852 |
| Authorized capital | | |
| - 2005; until May 17, 2010 | 12,900 | - |
| Conditional capital | | |
| - I/2000 (convertible bond) | 898 | 200 |
| - II/2000 (convertible bond) | 8 | - |
| - 2004 (convertible bond) | 1,250 | 759 |
| - 2005 (warrant or convertible bond); until May 16, 2010 | 10,000 | - |

**Authorized capital**
At the Annual Shareholders' Meeting of May 17, 2005, Authorized Capital I., II. and III:/2000 were dissolved and authorization was given to create a new Authorized Capital 2005.

**Authorized Capital 2005**
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 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 the Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10 % of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation, or
- to equalize fractional amounts.

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

## Conditional Capital

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

The conditional increase in capital is earmarked for conversion options to be granted to the bearers of convertible bonds. It will only be implemented to the extent that these conversion options are exercised. The shares 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.

In accordance with a resolution passed at the Annual General Meeting on May 17, 2004, Conditional Capital I/2000 was amended to the extent that the capital stock is now only at EUR 1,000,000.00 divided into 1,000,000 no-par value shares. The reduction was made to reflect the maximum number of conversion rights when the plan was terminated. Conditional Capital was reduced by EUR 46k (prior year: EUR 56k) following the conversion of convertible bonds.

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

The conditional increase in capital is earmarked for a new employee stock option plan which guarantees conversion rights to the owners of new convertible bonds. It will only be implemented to the extent that these conversion options are exercised. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to members of the Management Board, the Supervisory Board is authorized, and with regard to the other persons entitled to convertible bonds, the Management Board is authorized, to define further details of the conditional capital increase and the execution thereof. A maximum of EUR 650,000 of the conditional capital increase may be allotted to the members of the Management Board of the Company and a maximum of EUR 600,000 to employees of the Company or of subsidiary companies, including management employees of the subsidiary companies.

**Conditional Capital 2005**

At the Annual Shareholders' Meeting held on May 17, 2005 a conditional increase of capital stock was agreed of EUR 10 million divided into 10,000,000 no-par value shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 17, 2005 authorized the Company or a subordinated Group company to issue 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 17, 2005 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 16, 2006. The price paid for acquisition of these shares may not be more than 10 % above or below the stock market price. The stock market price for the purpose of the above arrangement is the average closing price in floor trading for the Company's shares on the Frankfurt Stock Exchange over the 5 trading days preceding the share acquisition. This authorization replaces the resolution passed at the Annual Shareholders' Meeting held on May 17, 2004 regarding the acquisition of treasury shares.

The Management Board is authorized, subject to approval by the Supervisory Board, to sell the acquired treasury shares in another way than on the stock exchange or by offering them to all the shareholders if the shares are sold for cash at a price which is not substantially lower than the quoted market price of the Company's shares and subject to the same terms at the time of sale. The stock market price for the purpose of the above arrangement is the average closing price in floor trading for the Company's shares on the Frankfurt Stock Exchange over the 5 trading days preceding the share acquisition.

The Management Board is further authorized by a resolution to use treasury shares with the approval of the Supervisory Board to settle subscription rights from employee stock-option plans in respect of members of the Management Board, Company employees and managers and employees of affiliated companies pursuant to Sections 15 et seqq AktG.

The Management Board is authorized to call in the Company's treasury shares subject to approval by the Supervisory Board, without further shareholder approval.

No acquisition of treasury shares was made during fiscal year 2005.

## 27 STOCK-BASED COMPENSATION

Management personnel in the AdLINK Group may participate in the Company's success by means of an employee stock-option plan introduced in April 2000. At the Annual Shareholders' Meeting of May 17, 2004, approval was given by resolution for replacement of the original plan approved at the Annual Shareholders' Meeting of April 4, 2000 by a new plan.

Furthermore, an employee stock-option plan of United Internet AG has existed since 1999 which employees of AdLINK could join. The United Internet AG plan has been closed to employees since the time when our own AdLINK employee stock-option plan became available. The last United Internet AG transaction on behalf of an AdLINK employee took place during fiscal year 2004. In May 2004, United Internet AG introduced a new stock-option plan for the Management Board of AdLINK.

The employee stock-option plans operating in fiscal year 2005 were as follows:
- the option agreement of United Internet AG from May 2004
- the AdLINK employee stock-option model in accordance with the resolution passed at the Annual Shareholders' Meeting of April 2000
- the AdLINK employee stock-option model in accordance with the resolution passed at the Annual Shareholders' Meeting of May 17, 2004

#### a) The United Internet AG option agreement of May 2004

In fiscal year 2004 an option agreement was made on May 24, 2004 between Mr. Stéphane Cordier and United Internet AG. This included the right to acquire 400,000 shares of AdLINK Internet Media AG from the stock of United Internet AG, divided into 4 options of 100,000 shares each. The exercise price is EUR 1.50 and the first 25% of the shares cannot be acquired before July 1, 2004, 50% not before March 30, 2005, 75% not before March 30, 2006 and 100% not before March 30, 2007. One condition is that the options must be fully taken up and partial exercising of an option is not permissible. No time limits were set. Personnel costs of EUR 174k (prior year: EUR 279k) were recorded in the past fiscal year.

In using an option-pricing model ("binomial tree") in accordance with IFRS 2, the fair value of the options amounted to EUR 1.36 per share. The following assumptions were made:
- Dividend yield: 0 %
- Volatility of the share: 78.90 %
- Expected term: 3 years
- Risk-free interest rate: 3.85 %

| | Number | Mean exercise price in EUR |
|---|---|---|
| Outstanding on December 31, 2004 | 400,000 | 1.50 |
| Issued | 0 | 0 |
| Outstanding on December 31, 2005 | 400,000 | 1.50 |

In measuring volatility, in order to determine fair value, historic volatility was also considered for this stock-option model as well as for the other existing stock-option models.

#### b) The AdLINK stock-option model in accordance with a resolution passed at the Annual Shareholders' Meeting on April 4, 2000

On the basis of an authorization to issue convertible bonds, AdLINK has issued convertible bonds to employees, a member of the Management Board and a member of the Supervisory Board. As of December 31, 2005 a total of EUR 30k (prior year: EUR 154k) were outstanding to AdLINK employees, EUR 170k (prior year: EUR 170k) to a member of the Management Board and EUR 0 (previous year: EUR8k) to a member of the Supervisory Board of AdLINK.

The stock-option model works as follows: every nominal amount of EUR 1 of a convertible bond may be converted into a no-par value registered share in AdLINK having a theoretical share in the capital stock of EUR 1. If converted, a cash premium to the amount of the difference between EUR 1 and the conversion prices must be paid. The conversion price is the cash-settlement price of the AdLINK share as recorded during trading in the electronic trading system used by Deutsche Börse AG at the time the convertible bond was issued.

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

In the past fiscal year personnel costs for convertible bonds of this plan amounted to EUR 26k (prior year: EUR 87k).

#### c) The AdLINK employee stock-option model in accordance with the resolution passed at the Annual Shareholders' Meeting on May 17, 2004

In fiscal year 2005, on the basis of an authorization of the Annual Shareholders' Meeting of May 17, 2004, convertible bonds were issued for the first time. Following a resolution of the Supervisory Board, a convertible bond amounting to EUR 40k was issued to the Management Board member Marc Stilke on April 8, 2005.

Moreover, in accordance with a resolution passed by the Management Board on May 23, 2005, with the approval of the Supervisory Board, convertible bonds amounting to EUR 46k were issued to employees of the Company and of subsidiaries of the Company, as well as to executive body members of subsidiaries of the Company. As of December 31, 2005 a total of EUR 36k was outstanding to AdLINK employees and EUR 40k to members of the Management Board.

The stock-option model works as follows: every nominal amount of EUR 1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of EUR 1 each. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to 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 %.

Up to 25 % of the Company's convertible bonds may be converted at the earliest 24 months after the date of issue; up to 50 % at the earliest 36 months after the date of issue. A total of up 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.

In the past fiscal year personnel costs for convertible bonds of this plan amounted to EUR 155k (prior year: EUR 0).

| | AdLINK | Mean exercise price in EUR |
|---|---|---|
| **Outstanding at December 31, 2003** | **238,000** | **2.64** |
| Issue | 170,000 | 1.71 |
| Exercise | - | - |
| Of which the 2nd tranche | -45,000 | 1.84 |
| Of which the 3rd tranche | -10,580 | 1.28 |
| Return /expiry | | |
| Of which the 1st tranche | -10,850 | 4.96 |
| Of which the 2nd tranche | - | 1.84 |
| Of which the 3rd tranche | -10,000 | 1.28 |
| **Outstanding on December 31, 2004** | **331,870** | **2.28** |
| Issue | - | - |
| Of which the 5th tranche* | 400,000 | 3.24 |
| Of which the 6th tranche* | 459,000 | 3.60 |
| Exercise | - | - |
| Of which the 2nd tranche | -11,000 | 1.84 |
| Of which the 3rd tranche | -35,365 | 1.28 |
| Return/ expiry | | |
| Of which the 1st tranche | -68,000 | 4.96 |
| Of which the 2nd tranche | -6,000 | 1.84 |
| Of which the 3rd tranche | -11,500 | 1.28 |
| Of which the 6th tranche* | -100,000 | 3.60 |
| **Outstanding on December 31, 2005** | **959,005** | **3.04** |
| **Available for conversion on December 31, 2005** | **45,900** | |
| Mean weighted residual term (in months) | 30 | |

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

### d) Summary of the changes in the AdLINK stock-option plans

The changes in the individual tranches of the AdLINK plan are set out in the table above.

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

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

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

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

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were approved on April 8, 2005, the result being EUR 0.91 per share.

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

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the AdLINK shares which were approved on May 23, 2005, the result being EUR 1.34 per share.

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

## 28 CAPITAL RESERVES

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

| | 2005<br>EURk | 2004*<br>EURk |
|---|---|---|
| Capital reserves at the beginning of the fiscal year | 59,573 | 59,166 |
| Addition from stock-option plans | 355 | 366 |
| Increase in capital reserves from the conversion of convertible bonds | 19 | 41 |
| Compensation payment United Internet AG for utilized trade tax losses from 1999/2000 | 2,100 | 0 |
| **Capital reserves at December 31** | **62,047** | **59,573** |

*Adjusted, please refer to note 3)t)

During the course of the IPO in 2001, transaction costs of EUR 7,544k were netted with capital reserves.

## 29 MINORITY INTEREST

In fiscal year 2005 a part of the shares in Sedo GmbH and CibleClick Performances S.A. were acquired. Minority interests are thus disclosed for Sedo GmbH in accordance with the shareholding of the other shareholders. In accordance with IAS 32.18 (b), the shares held by minority shareholders of CibleClick Performances S.A. are disclosed as debt capital due to the existing put options. Minority interest developed as follows:

| | EURk |
|---|---|
| Opening amount on Jan. 1, 2005 | 0 |
| Additions from initial consolidation | 2,518 |
| Proportional net income | 1,599 |
| **Closing amount on Dec. 31, 2005** | **4,117** |

## 30 DEFERRED TAX LIABILITIES

Resulting from the identification of intangible assets as part of the purchase price allocation pursuant to IFRS 3, deferred tax liabilities are recognized as a balancing item for varying depreciation allowances under tax law and company law. The reversal of deferred tax liabilities corresponds to the amortization of respective intangible assets. This item changed as follows:

| | EURk |
|---|---|
| Opening amount on Jan. 1, 2005 | 0 |
| Additions from initial consolidation | 3,202 |
| Reversal due to amortization | -326 |
| **Closing amount on Dec. 31, 2005** | **2,876** |

## 31 CONVERTIBLE BONDS

The maturity status of the outstanding convertible bonds after the time of the first conversion is as follows:

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| 2005 | - | 172 |
| 2006 | 98 | 58 |
| 2007 | 70 | 51 |
| 2008 | 70 | 51 |
| 2009 | 19 | 0 |
| 2010 | 19 | 0 |
| **Total** | **276** | **332** |

### 32 TRADE ACCOUNTS PAYABLE

The rise in trade accounts payable resulted, above all, from the initial consolidation of affilinet Germany and Sedo Germany.

All liabilities are due in fiscal year 2006. The same applies to all following explanatory notes unless explicitly stated otherwise.

### 33 LIABILITIES TO ASSOCIATED COMPANIES

The total amount of EUR 74k (prior year: EUR 143k) relates to liabilities towards AdLINK Switzerland.

### 34 LIABILITIES TO AFFILIATED COMPANIES

The strong increase in liabilities to affiliated companies results mainly from the use of credit lines granted by United Internet AG in the amount of EUR 32,587k and the resulting open interest payments of EUR 386k, both as of December 31, 2005. The remaining liabilities to affiliated companies result from intercompany trade with United Internet AG for Group services (e.g. rental costs, IT services).

### 35 TAX ACCRUALS

Individual tax accruals are as follows:

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| Germany | 3,291 | 53 |
| USA | 772 | - |
| Italy | 23 | 17 |
| Netherlands | 54 | 75 |
| France | 430 | 27 |
| **Total** | **4,570** | **172** |

### 36 OTHER SHORT-TERM LIABILITIES

The residual purchase price obligation refers to that amount of the preliminary price for the acquisition of 71.46% of CibleClick S.A. not yet settled as of December 31, 2005. The increase in liabilities is largely due to higher liabilities to the German tax office for sales tax resulting from increased business volume.

Further changes result mainly from the initial consolidation of affilinet and Sedo.

| | 2005<br>EURk | 2004<br>EURk |
|---|---|---|
| Residual purchase price obligation | 7.092 | 0 |
| Liabilities to the German tax office (sales tax, income taxes from wages and salaries, etc.) | 2.053 | 951 |
| Outstanding wages (royalties) | 800 | 548 |
| Social security | 686 | 288 |
| Outstanding vacation days / social security expenses | 539 | 525 |
| Consultation (auditing fees, legal advice etc.) | 358 | 337 |
| Liabilities to employees | 54 | 34 |
| Closing / selling costs | 27 | 85 |
| Others | 633 | 307 |
| **Total** | **12.242** | **3.075** |

### 37 ACCRUALS

The development of accruals during the fiscal year 2005 is shown below:

| | Jan. 1, 2005<br>EUR | Addition<br>EUR | Use<br>EUR | Reversal<br>EUR | Dec. 31, 2005<br>EUR |
|---|---|---|---|---|---|
| Accrual for risks in connection with liquidations | 307,181 | 0 | -90,837 | -53,544 | 162,800 |
| Restructuring of AdLINK Denmark | 0 | 153,992 | 0 | 0 | 153,992 |
| **Total** | **307,181** | **153,992** | **-90,837** | **-53,544** | **316,792** |

The accrual for risks in connection with liquidations refers to risks in connection with the liquidation process of the acquired DoubleClick companies.

The accrual formed in the period under review for restructuring costs pursuant to IAS 37.70ff results from the planned closure of AdLINK Denmark in early 2006 and contains mainly redundancy payments to employees.

## 38 DEFERRED INCOME

A significant part of the deferred income of EUR 922k resulted, as in the previous year (EUR 268k), from services which have already been invoiced but which have not yet been completed or fully completed. The increase is due solely to the rise in business volume.

| Primary Segment Reporting 2005 | Germany | Euroland | Non-Euroland | Consolidation | Total AdLINK |
|---|---|---|---|---|---|
| | EURk | EURk | EURk | EURk | EURk |
| Non-group revenue | 55,341 | 29,406 | 13,512 | | |
| Inter-segment revenue | 1,021 | 573 | 4,188 | | |
| **Segment revenue** | **56,362** | **29,979** | **17,700** | **-5,783** | **98,258** |
| Operating result | 4,694 | 324 | 360 | -358 | 5,020 |
| Amortization of goodwill | 0 | -200 | -1,479 | 0 | -1,679 |
| Result of associated companies | 0 | 0 | 543 | 0 | 543 |
| **Segment result** | **4,694** | **124** | **-576** | **-358** | **3,884** |
| Interest income | | | | | 134 |
| Interest expense | | | | | -388 |
| **Result before taxes** | | | | | **3,630** |
| Income taxes | | | | | -1,002 |
| **Net income** | | | | | **2,628** |
| Operating segment assets | 30,676 | 24,417 | 7,322 | -10,152 | 52,263 |
| Goodwill | 25,144 | 21,853 | 1,711 | | 48,708 |
| Shares in associated companies | 0 | 0 | 2,207 | | 2,207 |
| **Operating segment assets** | **55,820** | **46,270** | **11,240** | **-10,152** | **103,178** |
| Deferred tax assets | | | | | 3,356 |
| Employee loans | | | | | 30 |
| **Assets** | | | | | **106,564** |
| Operating segment liabilities | 51,793 | 21,113 | 6,669 | -6,557 | 73,018 |
| Accrued taxes | | | | | 4,569 |
| Convertible bonds | | | | | 276 |
| Deferred tax liabilities | | | | | 2,876 |
| Long-term debt provided by shareholders | | | | | 434 |
| **Liabilities** | | | | | **81,173** |
| Segment investments | 22,115 | 11,008 | 184 | | 33,307 |
| Segment depreciation | 1,289 | 62 | 103 | | 1,454 |
| Non-scheduled depreciation | - | 200 | 1,479 | | 1,679 |

## 39 SEGMENT REPORTING

**Primary segment reporting (see table on page 67)**
As in the previous year, the primary reporting format is based on geographical considerations, as the risks and income of the Company's business activities are influenced mainly by its activity in various geographical markets or countries. Due to the purchase of new companies and the resulting shift in relative sizes, the geographic segments had to be adapted, as compared with the prior year, in order to provide a better insight into the net assets, financial situation and results of operations. The geographical segments were created as follows:

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

The segment assets of the Germany segment do not contain shares in subsidiaries of AdLINK Internet Media AG.

Income from associated companies concerns the investment in the joint venture AdLINK Switzerland. This was allocated to the Non-Euroland segment.

| Primary Segment Reporting 2004 | Germany | Euroland | Non-Euroland | Consolidation / not attributable | Total AdLINK |
|---|---|---|---|---|---|
| | EURk | EURk | EURk | EURk | EURk |
| Non-group revenue | 8,582 | 24,121 | 15,084 | | |
| Inter-segment revenue | 763 | 649 | 617 | | |
| **Segment revenue** | **9,345** | **24,770** | **15,701** | **-2,029** | **47,787** |
| Operating result | -1,064 | 609 | 80 | 55 | -320 |
| Amortization of goodwill | -529 | -1,956 | -1,550 | - | -4,035 |
| Result of associated companies | - | - | 409 | - | 409 |
| **Segment result** | **-1,593** | **-1,347** | **-1,061** | **55** | **-3,946** |
| Interest income | | | | | 83 |
| Interest expense | | | | | -9 |
| **Result before taxes** | | | | | **-3,872** |
| Income taxes | | | | | 930 |
| **Net income** | | | | | **-2,942** |
| | | | | | |
| Operating segment assets | 9,339 | 12,395 | 3,910 | -4,577 | 21,067 |
| Goodwill | 1,631 | 5,013 | 3,190 | - | 9,834 |
| Shares in associated companies | - | - | 1,952 | - | 1,952 |
| **Segment assets** | **10,970** | **17,408** | **7,100** | **-4,577** | **32,853** |
| Deferred tax assets | | | | | 1,394 |
| Employee loans | | | | | 109 |
| **Assets** | | | | | **34,356** |
| | | | | | |
| Operating segment liabilities | 5,480 | 10,958 | 3,515 | -3,865 | 16,088 |
| Accrued taxes | | | | | 172 |
| Convertible bonds | | | | | 332 |
| **Liabilities** | | | | | **16,592** |
| | | | | | |
| Segment investments | 147 | 71 | 52 | | 270 |
| Segment depreciation | 253 | 87 | 95 | | 435 |
| Non-scheduled depreciation | - | - | 21 | | 21 |

| 2005 | Media | Affiliate Marketing | Sedo | Consolidation / not attributable | Total AdLINK |
|---|---|---|---|---|---|
| | EURk | EURk | EURk | EURk | EURk |
| Non-group revenue | 52,924 | 28,012 | 17,322 | | |
| Inter-segment revenue | 0 | 89 | 20 | | |
| **Segment revenue** | **52,924** | **28,101** | **17,342** | **-109** | **98,258** |
| | | | | | |
| Operating segment assets | 30,063 | 17,555 | 16,061 | -11,416 | 52,263 |
| Goodwill | 8,155 | 28,957 | 11,596 | | 48,708 |
| Shares in associated companies | 2,207 | 0 | 0 | | 2,207 |
| **Segment assets** | **40,425** | **46,512** | **27,657** | **-11,416** | **103,178** |
| | | | | | |
| Deferred tax assets | | | | | 3,356 |
| Employee loans | | | | | 30 |
| **Assets** | | | | | **106,564** |
| | | | | | |
| Segment investments | 448 | 23,136 | 9,723 | | 33,307 |

The comparative figures for the previous year were as stated in the table on page 68.*

**Secondary segment reporting**

There was no secondary segment according to business divisions or products in the previous year, as the product diversifications of the current AdLINK segment (Branding Solutions, Direct Marketing and Permission Marketing) display a similar long-term development of risks and earnings (see table above).

Following the acquisition of Sedo, affilinet and CibleClick a secondary segment according to products was created in this year, as the divisions Media, Affiliate Marketing and Domain Marketing display a different long-term development of risks and earnings. The Media segment comprises the activities of AdLINK companies, the Affiliate Marketing segment those of affilinet GmbH and its subsidiaries and the Domain Marketing segment those of Sedo GmbH and its subsidiaries. Please refer to note 3d) for further details.

No comparative figures are given for the previous year, as these would consist solely of the Media segment.

The segment assets of the Media segment do not contain shares in subsidiaries of AdLINK Internet Media AG.

*Prior-year figures were adjusted in connection with the retrospective application of IFRS 2. Please refer to note 3)t)

## 40 RISK MANAGEMENT

### a) 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 is such a way that some risks can be identified at an early stage and appropriate counter-measures taken.

### b) Change in interest rates

The group has variable interest-bearing credit lines totaling EUR 40 million. If fully utilized, the risk of change in interest rates thus corresponds to EUR 400k per 1 % change in the interest rate.

### c) Liquidity risks

The Group appears currently to be holding sufficient cash and cash equivalents to be able to meet its payment obligations.

### d) Exchange rate risks

The group operates in the Euro region and via its independent subsidiaries in Denmark, Sweden and Great Britain and the USA. The annual financial statements contain no financial liabilities in foreign currencies. Thus, exchange rate risks only exist partly in respect of internal financing arrangements (esp. England) and partly from the operating activities of Sedo Germany and Sedo USA. Transactions of both companies are partly in US dollars.

## 41 SUPPLEMENTARY DETAILS ACC. TO SEC. 315A HGB

### a) Auditors' fees

In fiscal year 2005, auditing fees totaling EUR 201k were expensed in the financial statements of the parent company. These include auditing fees (EUR 110k), tax consultancy services (EUR 47k) and other services (EUR 44k). Total auditing fees of EUR 187k were expensed for subsidiaries.

### b) Corporate Governance Code declaration acc. to Sec. 161 AktG

AdLINK Internet Media AG submitted the statutory declaration for 2005 pursuant to Sec. 161 AktG and made it available to shareholders.

## 42 OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

### a) Rent and other services

In January 2004, a 3-year IT service agreement was signed in connection with server technology resulting in liabilities of EUR 77k as of December 31.

In the fiscal year 2002, AdLINK signed an agreement for the provision of AdServing services with DoubleClick Inc. The agreement has a term of ten years. The terms and conditions of the agreement were adjusted in December 2005 for the fiscal year 2006. The financial liability for the coming year amounts to EUR 2,184k (actual cost 2005: EUR 1,993k). Comparable levels of expenditure are anticipated in the following years up to January 28, 2012.

As of December 31, 2005, the future obligations from lease agreements came to EUR 4,291k as shown below:

| | Residual terms of lease agreements EURk |
|---|---|
| <1 year | 1,370 |
| 1 to 2 years | 1,148 |
| 2 to 3 years | 688 |
| 3 to 4 years | 441 |
| >5 years | 644 |
| **Total** | **4,291** |

Obligations from other agreements, leasing of office furniture and fixtures and, in particular, vehicles amounted to EUR 474k as of December 31, 2005. All leasing agreements are operative leasing agreements.

| | Residual terms of operative leasing agreements EURk |
|---|---|
| <1 year | 240 |
| 1 to 2 years | 219 |
| 2 to 3 years | 12 |
| 3 to 4 years | 3 |
| >5 years | 0 |
| **Total** | **474** |

### b) Contingent liabilities, other liabilities and other possible claims

There is still an obligation to make further contributions in respect of AdLINK Switzerland, should the net asset value of AdLINK Switzerland on December 31, 2003 vary from the agreed sum under the terms of the joint venture agreement. All known items as at December 31, 2005 are included in the annual financial statements. No material impact on the financial results of the Group is expected in future.

The Management Board is not aware of any further facts which might have a significantly adverse impact on the Company's activity, its financial circumstances or trading result.

## AUDIT OPINION

Based on our audit, we have rendered the following audit opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by AdLINK Internet Media AG, Montabaur, Germany, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB [“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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Eschborn/Frankfurt am Main, Germany, February 27, 2006
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Bösser | Mair |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Glossary

**Ad impressions:**
Frequency with which an advertising banner and/ or the advertising medium page is loaded by a user and thus viewed.

**Advertiser/advertising clients:**
Companies or persons which commission online advertising marketers, such as the AdLINK Group, to present their products and services to potential customers.

**Advertising format/medium:**
Media used to transport the message to its intended audience.

**Banner**
A banner can be a preprogrammed advertising space on a website or an advertising format.

**Branding**
Communication with the aim of building up or increasing the recognition of a brand by using different advertising formats.

**Channel**
Classification of internet content on the basis of different sectors, e. g. finance, IT, entertainment or travel.

**Content**
Refers to the content displayed on internet pages.

**Direct marketing**
Advertising campaigns aimed at individually contacting members of selected target groups, e. g. via e-mail and newsletters.

**Display advertising**
Graphic advertising formats displayed on the monitor when visiting a website.

**Domain**
Unique internet address, e. g. www.sedo.com.

**Domain Parking**
Domains administered by Sedo for advertising purposes.

**Interstitial**
Special pop-up format which allows the implementation of larger multimedia ads into websites. Interstitials download in the background while the user browses.

**Layer**
Content-overlying advertising form which moves freely over the content and disappears after a maximum of 10 seconds, revealing the actual website.

**One-stop-shopping**
Centralized handling of European advertising campaigns in order to minimize the workload for the advertiser — on the principle of "one campaign, one contact partner, one report, one bill".

**Pay-per-click**
The advertiser pays according to the number of user clicks on his advertising.

**Pay-per-lead**
The advertiser pays per qualified customer contact. Qualified customer contacts include e. g. subscribing to a newsletter, ordering a catalogue or other actions.

**Pay-per-sale**
The advertiser only pays commission if the advertising leads to a purchase.

**Page impressions**
Frequency with which a website has been accessed by a user. Page impressions are regarded as an important measure of the reach of a website.

**Publisher**
Website owner whose pages include links and advertising for vendors.

**Response**
Direct impact of a marketing activity on the market, e. g. a sales increase which can be directly attributed to an advertising campaign.

**ROI**
Return on investment

**Targeting**
The banner is only inserted in the case of those users who have been predefined as a target group. The advertising message is directly targeted at potential customers and thus more effective.

**Tracking**
Process to register and allocate the brokering activities of a website owner.

# Financial Calendar

| | |
|---|---|
| MAY 2006 | Press release for the first quarter 2006<br>Quarterly report 2006 |
| JUNE 12, 2006 | Annual General Meeting |
| AUGUST 2006 | Press release for the second quarter 2006<br>Half year's report 2006 |
| NOVEMBER 2006 | Press release for the third quarter 2006<br>9-Months report 2006 |


**CONCEPT AND DESIGN**

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Annual Report 2005

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