Sedo Holding AG,

Cologne

Management Report for the Company and the Group

Consolidated Financial Statements

acc. to IFRS

Parent Company Financial Statements

acc. to HGB

of the Management Board

for the 2011 fiscal year

Sedo Holding AG, Cologne

Management Report of the Company and the Group

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Consolidated Management Report

of the Company and the Group

1. Structure of Sedo Holding AG

As an independent supplier of performance-based marketing solutions on the Internet, the Sedo Holding Group unites the two leading marketplaces for performance advertising and domains on the Internet: affilinet for Affiliate Marketing and Sedo for Domain Marketing.

As a marketing company, the Sedo Holding Group offers third parties intelligent solutions in the fast-growing area of performance marketing worldwide. The group is represented with branch offices in five European countries – Germany, France, Spain, Great Britain, the Netherlands – and in the USA. affilinet as a European specialist for Affiliate Marketing offers online advertisers an effective digital sales channel and the publishers attractive business opportunities. Sedo is the specialist for Domain Marketing and a leading marketplace for Domain Trading. Sedo is one of the leading companies in the performance-based area of Domain Parking.

2. Economic Environment

Economic trend – IMF warns of recession in the Euro-Zone

In the year 2011 the German economy was characterized by strong growth. According to the calculations of the Federal Statistical Office, the price-adjusted Gross Domestic Product (GDP) increased by 3% compared with the previous year and was thus able to even exceed the pre-crisis level. In this connection, private consumer expenditure, in particular, was responsible for the major part of the growth impulses, besides strong investment dynamics and this traditionally important export business. The economic upswing, however, was mainly to be felt in the first half of the year, as the Euro and national debt crisis dampened the mood in the following months. As a result, in its Annual Economic Report, the Federal Government expects an increase in price-adjusted GDP of 0.7% this year. Following a brief period of weakness, the German economy, also boosted by strong domestic demand, should experience an economic upswing. A danger to the economy, in contrast, will continue to be the debt crisis in Europe, the development and conclusion of which is currently difficult to predict.

In the light of the deepened Euro crisis and the depressed mood associated with it, in January 2012 the International Monetary Fund (IMF) once again significantly reduced its worldwide growth forecast. Thus, the IMF this year only expects growth of the global economy of 3.3% and expects the Euro-Zone to slip into a recession. There the economy is expected to shrink by 0.5% in 2012. For 2013 a modest increase in the economic performance of 0.8% there and 3.9% worldwide is again expected. For Germany, the experts expect a small increase of 0.3% in 2012, of 1.5% for 2013 and thus with a weaker trend than is currently being forecast by the Federal Statistical Office.

At the same time, the IMF sees positive signs in the USA, which are reflected in an expected GDP growth of 1.8% in 2012 and 2.2% for 2013.

Advertising market shows strong dynamics and grows despite Euro crisis

According to information from Nielsen Media Research, the German advertising industry had a successful year in 2011 and reported an increase in gross advertising sales on the previous year of 3.5% to € 25.8 billion. Nevertheless, the uncertainty on the finance markets also had an effect on the German advertising market according to Nielsen. Following growth rates of 10.0% in January 2011, the advertising year closed in December with only an increase of 2.2% on the previous year.

In its “Advertising Expenditure Forecast” study of December 2011, the media agency ZenithOptimedia also takes stock and reports growth in advertising investments of 3.5% for 2011. At the same time, the experts look optimistically to the future and see an increase in the investments of a further 4.7% in 2012. The reasons for this are the major events this year – Summer Olympic Games, European Football Championships and U.S. presidential elections – which should boost the advertising market more strongly than the effects of the debt crisis in the Euro-Zone. Germany is classified as a stable advertising market with a growth rate of 2.7% in 2011. Based on a currently good economic situation of companies, the readiness to invest in communication should be unbroken in 2012. An increase in the advertising market of 2.2% in 2012, 2.6% in 2013 and 2.8% in 2014 is deduced from that.

Dynamics of the online advertising market is unbroken

ZenithOptimedia sees the Internet as by far the fastest-growing advertising medium, with an annual increase in its sub-market of 15.9% up to 2014. The biggest growth rates were thereby registered by display advertising such as online movie and Social Media with 18.9% annually. The largest individual budget in this connection is that for search engine advertising with investments in 2012 expected to reach 41 billion U.S. Dollars. This amount should increase by 2014 to 55 billion U.S. Dollars, whereby the dynamic will be reduced and shift in favour of word-search advertising for mobile terminals. As a result, in 2013 the Internet will probably become the second-strongest advertising medium, measured in terms of advertising expenditure, behind TV but in front of the daily newspapers.

The Online-Vermarkterkreis (OVK) also confirms strong growth for the 2011 online advertising market in Germany. According to it, gross advertising investments amounted to € 5.7 billion. As a result, the online share of the media mix continues to rise and is 19.6%, as a result of which the Internet can consolidate its position as the second-strongest advertising medium. For 2012, due to the tense world economic situation, a moderate growth rate of 11% to € 6.3 billion gross advertising investments is expected.

In this connection, the online advertising market breaks down into three key segments: (1) classic online advertising, (2) word-search marketing and (3) Affiliate networks, all of which are growing at different rates.
For Sedo Holding AG, in particular the areas of word-search marketing, as a specific market environment for Sedo in the Domain Parking segment, and Affiliate networks as a relevant market for affilinet, are of decisive importance. Classic online advertising with advertising expenditure of € 3.3 billion plays the leading role there. It is closely followed by word-search marketing which accounts for about € 2.1 billion. This would correspond to an increase of about 11% in the market relevant Domain Marketing under the Sedo brand. The Affiliate networks form the third pillar of online communication with gross advertising investments of about € 0.4 billion. The market relevant for affilinet would thus also grow by 11%.

According to “Kinnie 2011” study of advertising effectiveness of the Bundesverband Digitale Wirtschaft (BVDW) e.V., conducted by the specialist group Unit Mobile Advertising (MAC), the significance of mobile Internet for advertisers is growing steadily. The study shows that particularly young users, the 20 to 39-year-olds, with a high level of education are reached by mobile advertising. Here there was both a high advertising effect and a significant advertising recall among the respondents.

A key factor for the success of affilinet, besides online-marketing is also the development of online trade. According to a study conducted by TNS on behalf of the Federal Association of the German Mail Order Business (bvh), in 2011 the online trade registered a sustainable boost to growth from € 18.3 to 21.7 billion. This represents growth of 18.5%. This growth is expected to continue in 2012. Thus, in German e-commerce alone, sales of € 25.3 billion are forecasted (+16.5% compared with 2011). eMarketer estimates the total European online trade for 2011 at approx. € 180 billion. In 2012, affilinet also expects a further differentiation and stronger segmentation of the online trade, which was already a decisive growth driver in 2011. In addition, according to the dealer study "mobile commerce" of the Federal Association of the German Mail Order Business, a significant increase in sales via mobile terminals is expected in 2012, since 78% of the companies questioned want to focus their m-commerce activities there.

Sedo regularly publishes studies on the domain secondary market and reports on the latest market trends. According to it, the secondary market for domains is relatively stable, whereby a slight decline fall with 39,951 domains sold via Sedo was recorded in 2011 (previous year: 43,499). The average price of a domain fell in 2011 to € 1,516, compared with € 1,747 the previous year, whereby the previous year benefited from the sale of the domain “sex.com”. In the second quarter of 2011 record proceeds were registered with the sale of the domain “gambling.com” (2.5 million U.S. Dollars).

Measurable success through performance marketing
The number of Internet users and the time they spend on the Internet continues to increase. The progressive spread of efficient broadband Internet connections and mobile phone networks and the associated booking of data flatrates, contribute to it. The consumers, who increasingly spend more time on the Internet medium, can be approached more frequently with individualized advertising. Through the interactivity and direct measurability of the Internet medium, the online campaigns can purposefully set themselves apart from classical advertising. In addition, the tools used for planning, tracking, reporting and optimization are becoming more efficient. This development leads to advertising on the Internet offering real added value compared with the classical advertising forms - and its share of the total advertising market continues to grow.

3. Business Development

Employees

Every company is strongly characterized by its culture. This stands out due to transparency, cultural variety, international dialog and social values with the Sedo Holding Group. Everybody contributes in the Group with his individual talents, strengths and ideas to achieve an optimal overall result for the customer. The individuality and the cultural variety of the employees are promoted and lived.

Experiencing internationality
With employees of over 30 different nationalities within Sedo Holding AG, extremely varied requirements of the strongly international clientele are purposefully served. This is achieved through offices in five European countries and the USA which communicate and interact with each other daily and whose employees also regularly travel between the locations. The topic of "intercultural competence" therefore, plays a special role for employees in the group. In order to further promote these capabilities, the Exchange program, which enjoys great popularity, was initiated. In it, employees are supported intensively for a period of up to three months while they are working in a foreign office.

Training & employee development
In filling vacancies, great value is attached to a good balance between experienced experts and motivated newcomers. At the same time, it is our aim to ensure a positive professional development through regular training and further training possibilities which facilitate the deepening and expansion of the existing knowledge and abilities. In addition, employees are also supported on their personal career path via internal job changes or specializations.

Due to very specific and rapidly developing nature of the business, it is imperative that the employees of the Sedo Holding Group continue to be trained “on the job”. This is done to a great extent through internal training – the employees are trained by colleagues who are experts in their field or internal workshops are organized for the exchange of knowledge between the different specialist departments. The regular opportunity to attend relevant trade fairs and conventions is also granted to the employees, to exchange opinions with external specialists and continue their personal training.

Management training courses are organized for employees on team manager level. An established management curriculum is designed to prepare the managers in the group, among other things, for the requirements in the areas of conducting discussions, conflict management and team development. In addition, participation in external seminars for further development of management skills rounds off the training programme.

For the Sedo Holding Group, as an innovative company, young people with engagement and creative ideas are important. Since 2002, therefore, school-leavers have been trained. They are offered the opportunity to take an active part in the daily business and to learn to act independently.

Trend in employee numbers

Overall, the Sedo Holding Group had a total of 345 employees as of December 31, 2011. The number of employees at the end of the previous year was 340. The number of employees in Germany increased from 235 at the end of the previous year to 242 in 2011. The number of employees in the foreign companies declined from 105 to 103.

Within the two areas of business, there were 169 employees in Affiliate Marketing (previous year: 157) and 168 in Domain Marketing (previous year: 168). As of December 31, 2011 there were 8 employees in the parent company (previous year: 15).

The personnel expenditure increased corresponding with the increase in the average number of employees from € 18.3 million in the previous year to € 18.8 million (+2.7%).

Segment Development

In the 2011 fiscal year, in the Affiliate Marketing segment we registered a sales increase of about 18% through the expansion of the large customer business and the increasing internationalization. In contrast, in Domain Marketing we registered a decline in sales revenues of about 11%, resulting from the weaker business trend in Domain Parking. At the same time, however, we increased key network figures such as partner programmes and tradable domains and thus further consolidated the market position of Sedo Holding Group.

Affiliate Marketing (affilinet)

affilinet is the specialist for Affiliate Marketing within the Sedo Holding Group. With offices in Germany, France, Great Britain, the Netherlands and Spain, affilinet operates one of Europe’s leading Affiliate networks.

With its performance marketing solutions, the platform offers online advertisers an effective digital sales channel and the registered publishers attractive opportunities for potential earnings.

The sales volume in the Affiliate Marketing segment increased in the 2011 fiscal year by 17.7%, from € 72.9 million in the previous year to € 85.3 million. The growth drivers were the development of the large customer business and the advancing internationalization.. The cost of sales increased by 19.4% to € 72.6 million in the 2011 fiscal year, compared with € 60.8 million in the previous year. The EBIT-like indicator Contribution (See Notes: 35. Segment reporting) amounted to € -1.1 million in the 2011 fiscal year, after it had been € 1.3 million in the previous year. The decline can be mainly explained by the impairment of the goodwill of affilinet SAS in France of € 3.5 million. Without this one-off effect, the contribution would have been € 2.4 million, an increase of 84.6% compared with the previous year.

In the full year of 2011, the number of affiliate programs available could be increased by 3.6% from 2,160 at the end of 2010 to 2,238 as of December 31, 2011. The number of participating websites also increased compared with the same date last year, from around 499,000 to 529,000 (+6.0%).

The sharpening up of the strategic positioning, the development of the market place and the implementation of new products were in the focus in the fiscal year 2011. Among other things the success of these measures is mirrored again in the furthermore good growth of the area of online retail. It was successful particularly in the categories of fashion, finance, travel and mobile telephony.

The objective of all product developmental measures is the further development of affilinet as a performance-marketing network, which helps advertisers, agencies and publishers to maximize their online sales revenues with innovative tracking and targeting solutions, detailed analyses and intelligent services.

Since 2010 area new solutions for voucher marketing are being offered in the couponing. Here expansion continued and increasing numbers of publishers were acquired for the product. The same applies to the area of Cashback and Bonus programmes which are enjoying growing demand. In addition, further new customers have been acquired for the retargeting technology on PostView and PostClick basis introduced in autumn 2010.

In the third quarter of 2011, with the introduction of Basket Tracking, affilinet further extended its product and service offer. Basket Tracking offers the advertiser extensive detailed information on the buying behaviour of consumers and thus an even more targeted control of the offer.

In the area of Affiliate Marketing at the end of 2010 the Company intensively concerned itself with the marketing strategy for the next years in an externally-supported project. The result was adopted in 2010 and provides for further development as well as investments in the following areas: automation of the sales processes, improvement of the user-friendliness of the platform, sector-specific expertise and functions as well as development of data-mining. With the development of the data-mining capabilities, affilinet will in future be able to provide its customers with even more detailed analyses and tools for the improvement of the performance of their programmes. The implementation of the various projects for the further development of the platform was largely completed by the end of 2011. Based on this further development of the platform the focus in 2012 will increasingly be on the optimization of the sales and service processes. An international performance programme advances the adjustment of all processes and the development of an internationally-integrated Sales and Service organization. The acquisition of all European online partner programmes of the Thomas Cook Group against intensive European competition demonstrates the sales strength of the European affilinet team, which was expressly selected on the basis of its clear customer strategy and its strong operative competencies.

In the fourth quarter of 2011 affilinet has been able to realize increasing sales through the opening up of further customer potentials. In particular, in the areas of travel, retail and telecommunications the already strong market position could be further improved. In addition, the service quality and user-friendliness of the platform was further improved in order to make access to Affiliate Marketing easier for potential participants. In parallel, the development of campaign management was continued through implementation of short-term measures for Lead, Sale and Traffic generation. All these approaches contribute to the further strengthening of affilinet: besides the leading position in the German market, with its focus on an excellent service, intelligent solutions, an innovative platform, strong partnerships and integrity, affilinet also is clearly positioned in the other markets. Awards and outstanding results in surveys of customer satisfaction reflect the sustainable success of the adopted quality strategy.

Domain Marketing (Sedo)

Sedo is the specialist for Domain Marketing within the Sedo Holding Group. With offices in Germany, Great Britain and the USA, as well as numerous international webpages, Sedo is active worldwide in more than 20 languages.

Sedo is the leading market place for the trade with domains. Sedo is also one of the leading companies in the performance-based area of Domain parking in which Sedo markets advertising on domain names. The service portfolio, furthermore, covers the areas of domain brokerage, domain transfer and domain appraisal.

In the Domain Marketing segment a sales volume of € 38.6 million was achieved in 2011, following € 43.1 million the previous year. This represents a decline of about 10%, largely due to weaker business in Domain Parking (-13.8%). Cost of sales declined by 19.4% from € 30.4 million in the previous year to € 24.5 million in 2011. The main reason for this decline besides the reduction of the sales volume were the costs incurred in the previous year for an unscheduled decrease in value of the domain stock for own trading of € 2.7 million. The Contribution (see Notes: 35 Segment Reporting) amounted to € 4.7 million in the 2011 fiscal year and increased by 17.5% compared with the previous year (€ 4.0 million). This relates to the basic effect of the previous year in which the previously-described decrease in value had a negative effect on the result.

The number of domains tradable on the platform declined by 12.8% as of December 31, 2011, to 15.7 million, compared with 18.0 million the previous year. In addition, around 4.4 million domains are available in the area of performance-based Domain Parking for marketing purposes. In the previous year the number of tradable domains was 6.5 million and thus declined by 32.3% in 2011. As of the end of December 2011 the number of registered members increased by 16.7% to 1.4 million (previous year: 1.2 million).

In the 2011 fiscal year, the main emphasis was on the development of Sedo’s Trading and Parking platforms and the expansion of the SedoMLS network (Sedo Multi Listing Service). The prestigious sale of gambling.com was decisive for the development of the operative business in the second quarter. With a selling price of 2.5 million U.S. dollars this was the third most expensive domain ever sold via Sedo. The seller of the domain was the British company MediaCorp.

In order to improve the offer, in Domain Trading numerous new functions and tools were introduced aimed at improving the trading process for buyers and sellers. Through simplified bidding procedures the conversion rate among potential buyers should be increased. With a WhoIsCheck the owner is checked automatically when entering the domain in the marketplace. As a result the potential customer can be more certain that the domain really does belong to the seller.

In Domain Parking the new statistics platform was started at the beginning of September, offering domain owners greatly improved analysis tools for their domains and with significantly faster user control. In addition, since the first half of the year Sedo offers all domain owners SedoMLS. With the use of this service domains for sale are also offered in the international SedoMLS partner network. Furthermore, SedoMLS facilitates an automated and thus faster transfer of domains. With Dynadot, Register.it, Moniker and Dotster, further partners were acquired for the Sedo MLS network.

From the Company’s point of view, the market in the area of Domain Marketing, in which Sedo occupies a leading position worldwide, developed unevenly. While Domain Trading was on a stable level, Domain Parking stagnated. Particularly in the fourth quarter of 2011, therefore, the objective was to improve Domain Trading via the Sedo marketplace, above all with instant-purchase domains and to extend the SedoMLS partner network. At the same time, the own stock of domains has been optimized and the focus more strongly put on domains for sale at short notice. In addition, the portfolio was cleared of unprofitable domains.

4. Innovation and Product Development

There is fierce competition in performance marketing and technological innovations occur at very short intervals. A central component of the corporate activity is, therefore, the intensive monitoring of the market and the competitors, as well as the evaluation of the technological possibilities. Nationally and internationally, the provision of new, innovative advertising products is a clear differentiating factor against the competition. The regular development of new tools and concepts as well as to make these available in a high technical quality is a key feature of the Sedo Holding Group.

As a leading European supplier of performance-based marketing solutions on the Internet, Sedo Holding Group has research and development which is organized on a decentralised basis. Both specialist business segments thereby work independently of each other on solutions which are optimally coordinated for the respective market. As a result, we are able to quickly and flexibly develop new ideas ready for the market and to react to trends. In addition, we make full use of synergies in the area of IT infrastructure and knowledge transfer, in order to be able to realize our development as economically as possible. Products already developed are continuously further developed and adapted to the market requirements by the teams.

affilinet operates one of the leading Affiliate networks in Europe. The basis of this network is a scalable and innovative platform which we have purposefully developed ourselves over years, which provides all the necessary functions for programme and partnership management, tracking, reporting as well as invoicing and payment centrally for all countries and in several languages.

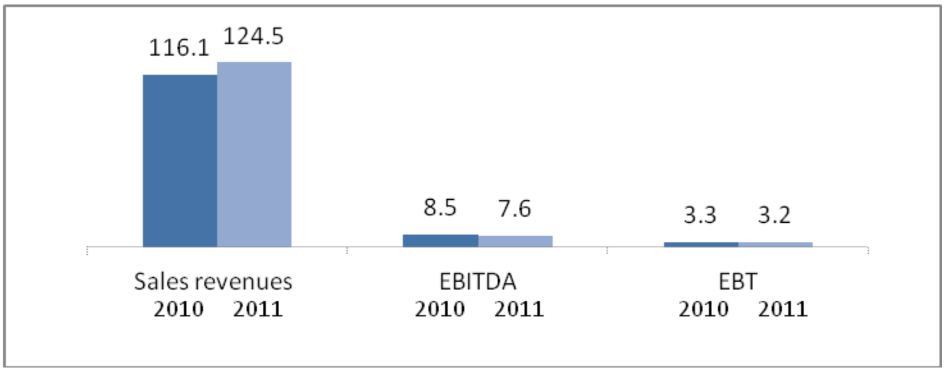
More than 40 employees in the areas of development, product management and IT in Munich and Hanover guarantee the continuous further development and optimization of the platform. The programming is thereby provided almost exclusively by our own development department, which is supplemented selectively with external service providers, in order to implement projects rapidly and efficiently. Intensive market monitoring, own customer surveys and analyses provide the basis for new product ideas and technical innovations, always with the objective of operating a product development which is aligned with customer needs and the highest standards of reliability and availability.

Our specialist for Domain Marketing – Sedo – operates the leading trading platform worldwide for domain names. Customers from over 200 countries make use of the products of the market leader in 20 language and country-specific user interfaces. The basis for this is provided by the international domain marketplace developed by us over many years at www.sedo.com. The innovative marketing of the domains available for sale rounds off Sedo's portfolio.

Sedo employs over 20 employees in product development at the locations of Cologne and Boston, USA. The independent division of Sedo Research & Development advances product innovations in the core areas of domain trading and domain marketing. The team, which is made up of business analysts, product managers and developers, ensures the delivery and continuous optimization of a product portfolio which is targeted at the requirements of our core markets. Development is thereby conducted almost exclusively within the Company.

5. Result of Operations, Financial Result and Net Assets

Consolidated figures in € million



Results of Operations

In the 2011 fiscal year sales revenues increased by 7.2 to € 124.5 million, after € 116.1 million in the previous year. Growth drivers were the development of the large customer business and the advancing internationalization in Affiliate Marketing with a segment sales volume of € 85.8 million after € 72.9 million in the previous year. In Domain Marketing a decline in sales revenues was registered to € 38.6 million (previous year: € 43.1 million).

In the course of the expansion of the operative business, costs of sales have risen from € 91.2 million to € 97.1 million. Simultaneously, the cost of sales quota improved slightly from 78.6% to 78.0%. Resulting from this the gross profit increased by 9.6% to € 27.3 million (previous year: € 24.9 million). As a result of the decline in sales in the higher margin Domain Marketing, the increase in total sales revenue is only marginally reflected in the gross profit.

The selling expensives increased by 9.4% from € 11.7 million to € 12.8 million in the 2011 fiscal year, due to the increased sales efforts of Affiliate Marketing abroad. In contrast, it was possible to reduce general and administrative expensives from € 8.9 million to € 8.0 million. Contained here is a one-off sum from the booking out of expired virtual share options from employee participation programs (€ 0.3 million). The higher other operating expensives, increasing by 34.1% from € 4.4 million to € 5.9 million, and the increased other operating income, increasing by about 32.6% from € 4.3 million to € 5.7 million in the report period, resulted largely from currency effects. As a gross figure is necessary for both items, they are shown individually. The amortization of capitalized assets in the scope of acquisitions amounted to € 0.1 million in the 2011 fiscal year after € 1.1 million in the previous year. The reason for the decline is the scheduled expiry of the amortization on capitilized intangible assets from three acquisitions. In addition, in the course of the strategic development and reorientation in the Affiliate business at the subsidiary affilinet France and in the result of the yearly applied impairment test, the Management Board has decided on an amortization of the goodwill shown in the balance there. This leads to a one-off negative effect on the result of € 3.5 million.

Overall, the Group reported a result before interest, taxes, depreciations, amortizations and write-downs on domains (EBITDA) of € 7.6 million after € 8.5 million the previous year. This corresponds to a decline of 10.6%. Reasons for this are the investments in the growth of the affiliate business abroad, which are not recognized in profit or loss, and also the decline in sales revenues of the higher margin Domain-Marketing.

The pre-tax result (EBT, before one-offs) increased to € 6.7 million (previous year: € 3.3 million). As a result of the amortization of the goodwill at affilinet France, which has an effect on profits, the EBT is reduced (after adjustment for one-offs) to € 3.2 million. Due to the high tax burden of € 4.2 million, the consolidated result was € -1.0 million (previous year: € 2.6 million) The high tax quota results largely from non tax-deductible expenditure, arising as a result of the amortization of the goodwill of affilinet France, as well as the valuation adjustments made in the same connection on deferred tax assets. The earnings per share from continued operations are € -0.03 EUR (previous year: € 0.03).

Financial Result

The operating cash-flow from continued operations declined from € 5.7 million to € 4.4 million compared with the previous year.

The net proceeds from operating activities in our continued operations increased from € 1.7 million in the previous year to € 3.6 million in 2011. This results essentially from a reduction in the net current assets. The net cash flow from investing activities in the 2011 fiscal year was € 11.1 million (previous year: € -0.7 million). The increase is largely due to the repayment of a vendor loan to Hi-media S.A. of € 12.2 million.

The cash and cash equivalents at the end of the period under review in 2011 amounted to € 21.1 million after € 3.3 million. The increase was largely due to the repayment previously-mentioned vendor loan to Hi-media S.A. of € 12.2 million.

Net Assets

As of the balance sheet date, December 31, 2011, the current assets were reduced by € 0.6 million to € 37.7 million (previous year: € 38.3 million). A major change within these balance sheet items was the repayment of a vendor loan of € 12.2 million. EUR which was granted to Hi-media S.A. and repaid on June 16, 2011. Mainly as a result of this, the cash and cash equivalents increased from € 6.3 million to € 21.1 million, with a contrary reduction of the other financial assets from € 14.3 million to € 0.6 million. The account receivable declined slightly to € 13.4 million after € 14.6 million. on December 31, 2010. The inventories which consist exclusively of trade stock of acquired domains declined from € 2.4 million to € 2.1 million as a result of sales and marketability write-downs.

The non-current assets declined by € 4.4 million as of December 31, 2011 to 76.9 million compared with € 81.3 million the previous year. The share of companies consolidated at equity remained constant at € 1.0 million. The tangible assets declined insignificantly from € 1.1 million to € 1.0 million. The intangible assets (excluding goodwill), incl. deposits on intangible assets, remained constant at € 1.7 million. The goodwill declined as of December 31, 2011, by 4.6% from € 75.7 million to € 72.2 million. This resulted from the decrease in value of the goodwill of affilinet France. The deferred tax assets declined from € 2.0 million in the previous year, compared to € 1.0 million as of December 31, 2011. The reason for this is the valuation adjustment of deferred tax assets especially on losses brought forward of € 0.7 million.

The current liabilities were reduced as of December 31, 2011 by 13.4% to € 22.7 million from € 26.2 million at the end of the previous year. This decline largely results from reduced tax provisions of € 0.2 million compared with € 2.7 million the previous year and the reduction of other current liabilities from € 4.3 million as of December 31, 2010 to € 3.2 million. Trade accounts payable remained almost constant and amounted to € 18.2 million. The same applies to other provisions, which were valued at € 1.0 million on the balance sheet date.

The balance sheet total as of December 31, 2011, declined by € 5.0 million in comparison with December 31, 2010 to € 114.6 million (previous year: € 119.6 million). Based on total equity of € 93.0 million, this was reduced slightly due to the consolidated net loss to € 91.7 million as of the balance sheet date December 31, 2011. That represents an equity ratio of 80.0% after 77.8% the previous year.

Annual financial statements acc. to HGB
Sedo Holding AG (Sedo Holding) is the parent company of the Sedo Holding Group.

In the 2011 fiscal year, the sales revenues of Sedo Holding amounted to € 2.2 million compared with € 2.8 million the previous year. These sales revenues are generated, in particular, by services which Sedo Holding has rendered for its subsidiaries. This essentially refers to administrative services in the areas of finance, legal, personnel and management. The other operating income amounted to € 1.3 million after € 2.5 million the previous year, largely resulting from gains from foreign currency conversions.

The cost of sales declined slightly from € 1.6 million in the previous year to € 1.3 million. This thus declined analogous to the sales revenues. Personnel expenditure declined from € 1.2 million to € 1.1 million in the same period. In the 2011 fiscal year on average there were 9 employees at Sedo Holding AG (previous year: 13 employees). Depreciation and amortization declined to € 0.2 million (previous year: € 0.3 million). The other operating expenses, consisting largely of legal, consulting and auditing costs as well as EDP services, were at the previous year's level of € 2.0 million.

The income from profit-transfer agreements amounted to € 3.4 million in 2011 following € 9.2 million in the previous year. This consists of the transfer of profits of affilinet GmbH amounting to € 0.6 million (previous year: €3.3 million) and of Response Republic Beteiligungsgesellschaft Deutschland GmbH amounting to € 2.8 million (previous year: € 5.9 million). The decline in the income from the profit-transfer of affilinet GmbH resulted from the amortization in the financial statements of affilinet GmbH of the book value of affilinet France SAS of € 3.5 million. The income from other securities and loans amounted to € 1.4 million in 2011 following a figure of € 1.5 million the previous year. It result from the interest on the loans granted to subsidiaries as well as the vendor loan granted to Hi-media. Other interest and similar income in 2010 amounted to € 0.5 million in the 2011 fiscal year following € 0.3 million the previous year. These essentially result from interest on cash pool balances within the group. Interest and similar expenses amounted to € 0.3 million (previous year: € 0.4 million).

The result from ordinary activities in the 2011 fiscal year was € 3.9 million, after € 10.9 million in 2010. The decline resulted essentially from the previously described lower income from profit-transfer agreements. Income taxes amounted to € 2.8 million (previous year: € 3.2 million). That resulted in a net income of € 1.1 million after a figure of € 7.7 million the previous year. As a result, the accumulated profit was € 1.1 milion (previous year: € 0).

The balance sheet total declined compared to December 31, 2010, by € 7.6 milion to € 110.7 (previous year: € 118.3 million). Total equity of € 96.7 million increased slightly as a result of the net profit generated to € 97.8 million. That represents an equity ratio of 88.3% after 81.7% the previous year.

In the 2011 fiscal year the provisions declined from € 3.9 million to € 1.2 million. Thererby, the tax provisions declined significantly from € 2.7 the previous year to € 0.2 million. The reason for this were payments of trade tax made for the years of 2008 and 2009 as well as corporate income tax payments for 2009 and 2010. The total liabilities could be reduced in the 2011 fiscal year from € 17.7 million to € 11.6 million. Included in them are accounts payable of € 0.1 million (previous year: € 0.2 million) and liabilities to affiliated companies of € 11.4 million after € 17.5 million the previous year.

The fixed assets declined from € 96.9 million in the previous year to € 84.5 million at the end of 2011. Within the financial assets the shares in affiliated companies (€ 50.0 million) and loans to affiliated companies (€ 34.3 million) remained unchanged compared with the previous year. The other loans amounted to € 0 after € 12.2 million the previous year. This was due to the previously described repayment of the vendor loan to Hi-media.

Current assets increased from € 21.4 million to € 26.2 million as of December 31, 2011. In this connection accounts receivable and other assets declined to € 6.5 million after € 15.3 million the previous year. That includes trade accounts receivable and other assets which declined from € 0.5 million to € 26k. Also receivables from affiliated companies, which mainly result from supply and service relations, cost allocations, profit-transfer agreements, as well as the cash pool, declined by € 7.2 million to € 6.2 million (previous year: € 13.4 million). Finally, other assets declined from € 1.5 million to € 0.2 million in 2011. This was largely accounted by the decline in advance tax payments. Cash and cash equivalents increased, in contrast, from € 6.1 million in the previous year to € 19.7 million in 2011.

6. Subsequent Events

There were no major events subsequent to the reporting period which had a significant impact on the business development of the Sedo Holding Group, in particular, on the asset, finance and income situation.

7. Principles of Management Board and Supervisory Board Remuneration

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board is performance-oriented and consists of fixed and variable elements. There is also a remuneration component providing long-term incentives in the form of convertible bonds, options and virtual options (Stock Appreciation Rights). The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to sales and earnings figures. Depending on the attainment of targets, the Chairman of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. There is no subsequent amendment of performance targets. No guaranteed minimum payment of the variable remuneration component is granted. There are no retirement benefits from the Company to members of the Management Board.

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

Further details of the remuneration of the Management and Supervisory Boards can be found in the Notes bullet point 32.

8. Risk Report

The objective of risk management is to deal systematically with potential risks as well as to promote risk-oriented thinking and action throughout the entire organization. The controlled approach to risks aims to utilize existing opportunities to the full and to enhance the company's success. The concept, organization and task of Enterprise Risk Management were defined by the Management Board of Sedo Holding AG and documented as part of a risk manual available to all members of the Group. These requirements are regularly compared with the changing legal conditions and adapted or further developed as required.

As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with a clear allocation of responsibilities. We use Enterprise Risk Management not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a significant negative impact on the Group's net assets, financial situation and results of operations. In the 2011 fiscal year we once again conducted a company-wide risk audit.

Risk scenarios were evaluated with regard to the possible negative impact on the respective company's earnings before taxes and the probability of such damage. Wherever sensible, risk-limiting measures were defined for identified significant potential risks. Early warning indicators with if possible pre-determined threshold values were allocated to risks as part of a proactive monitoring system. The current risk status is communicated to the Management Board on a quarterly basis and by it to the Supervisory Board. The emergence of unexpected risks or significant changes in the risk situation trigger an ad-hoc reporting obligation and the respective risk is communicated immediately to the Management Board, and where necessary by it to the Supervisory Board.

The main risks and uncertainties of the Sedo Holding Group are presented in detail below:

Market and business trend

Apart from the German market, the Sedo Holding Group also operates in a number of other countries and is subject to the economic development of these sub-markets. The respective economic developments influence consumer behavior and, as a result, the expenditure of potential advertisers and thus the size of the total market for the Sedo Holding Group. Several countries, in which we operate, are being affected by the "Euro Crisis". The economic situation here is clearly strained. Insolvencies among our business partners and defaults on payments associated with them are possible. The Group's further market development is uncertain in view of the amount of the online advertising budgets of our customers, which may have a significant impact on its net assets, financial position and results of operations. We counter this risk through intensive market monitoring and active claims management, in order to be able to respond as quickly as possible to negative developments.

Competition

There is intense competition from both existing competitors and market-players which are new entrants in the area of Performance Marketing. They attempt to strengthen and further extend their market positions. In particular, smaller specialists can advance flexible developments in their fields and thus make a targeted approach to their circles of customers and possibly respond faster to their requirements. Sedo Holding AG can only influence these factors to a very limited extent. Such competition could lead to a deterioration of our net assets, financial situation and results of operations, as advertisers and domain owners have a wide range of platforms and networks at their disposal. The Sedo Holding Group strengthens the ties to its customers and partners by means of active customer management and a high service level as well as the provision of new and innovative advertising products and services, also on an international level, in order to expand its own domestic and international market position.

Product development

On the markets for performance marketing solutions on the Internet, technological innovations are introduced at short intervals. The “time to market” is an important success factor. For example, new tools and concepts are constantly being developed which must be made technically available and integrated into the product portfolio. If we do not use this technological progress, or use it only insufficiently, other operators might achieve better product quality, services or processes than ours. This could weaken our competitive standing, as we would not be able to supply customers with the desired products, not supply them quickly enough, or not with the desired quality. As a consequence, we might lose important advertising customers and thus revenue and earnings. The Sedo Holding Group takes action to counter this risk by closely monitoring the market and competitors, by evaluating technological possibilities, by entering into cooperations and by driving our own developments. Apart from this, strategy projects are being conducted in the companies which are part of the Sedo Holding Group, which are targeted at product development.

Coverage

A key differentiating factor of the Sedo Holding Group is our portfolio of high-quality and highly frequented websites and domains which are used for marketing purposes. Should the Sedo Holding Group lose many of these important websites and domains, or not have enough high-coverage advertising sites in its portfolio and were it to be unable to adequately replace them, we could become less attractive for advertisers. Should the company suffer a loss of revenue as a result of this, it could lead to a deterioration in our net assets, financial situation and results of operations. We counter this risk by providing active partner and customer support, continually improving service quality, regular improvements in our service quality, the expansion of our international organization and maximizing the revenue potential of our network and domains.

Dependency on business partners

In the case of both affilinet and Sedo, a significant proportion of revenue is often generated with a few major business partners. Should these partners reduce or terminate their business relations with us, this could lead to a serious deterioration of our net assets, financial situation and results of operations. The Sedo Holding Group reduces this risk by employing experienced key account managers, maintaining long-term and close relations with these business partners, expanding our customer base and providing a convincing range of products and services.

Pressure on prices/margins

The current fierce competitive situation, as well as the dependence in some cases on larger business partners, increases the pressure on margins and prices. Due to the current competitive situation in certain countries, the Sedo Holding Group might decide to take pre-emptive action or react by reducing prices/margins in these countries. Such falling prices and/or margins could in future result in deterioration of our net assets, financial situation and results of operations. In order to counter this risk, the Sedo Holding Group offers innovative additional services and new high-margin products.

Currency risks

Independent subsidiaries of Sedo Holding AG are commercially operating in Great Britain and the USA. The currency risks of the company result from inter-company financing measures and operating activity. This can have an effect on our net assets, financial situation and results of operations. Currently the risk is classified as insignificant.

Liquidity

As of the due date, Sedo Holding AG reported no liabilities to banks. On the basis of current information, the liquidity of Sedo Holding AG can be regarded as secure and is sufficient to be able to meet all future payment obligations.

In the area of cash management, throughout the Group the demand and surplus of cash is determined centrally. By means of Group-wide cash pooling the number of external banking transactions is kept to a minimum. For the control of its bank accounts and the internal charging accounts as well as for the conduct of automated payment transactions, the company has established standardized processes and systems.

Goodwill

The goodwill was determined based on the cash-generating units at the end of the year and the assumptions made by management. Should an assumption for a cash-generating unit deterioriate, that could lead to impairment charges.

Protected rights

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

Personnel

Important factors contributing to the successful operation of the Sedo Holding Group are the skills and market know-how of its employees. There is fierce competition for qualified and motivated specialists and management personnel with relevant experience in the sector. High staff turnover or the loss of key personnel could have an adverse impact on the Sedo Holding Group. Up to now, we have always succeeded in quickly compensating for the loss of key personnel. We counter such risks by pursuing an active personnel development strategy.

Qualitative information pertaining to the overall level of risk

The major risks to the company’s present and future net assets, financial situation and results of operations are concentrated not only on the market development, but also in the areas of competition, product development and dependencies on customers and partners, as well as the pressure on margins resulting from them. Personnel risks continue to be limited to individual company units which require highly specialized knowledge which is only available to a limited extent on the labor market. Our risk management culture enables us to proactively counter such risks and limit them to a minimum. We judge the probability of such adverse developments as moderate. There were no risks which directly jeopardized the continued existence of Sedo Holding AG in the 2011 fiscal year, neither from individual risks nor from the overall risk situation.

Annual audit of the risk early warning system acc. to Section 317 (4) HGB

Within the scope of the annual audit, the auditors assess not only the installation, but also the possible functionality of the risk early warning system installed by Sedo Holding AG. For 2011, the fulfilment of the legal requirements by our risk early warning system was confirmed by the auditors.

Main features of the internal control and risk management system with regard to the accounting process of Sedo Holding AG

Sedo Holding AG regards risk management as an integral part of its internal control system, which is based on the internationally recognized COSO framework ("Internal Control – Integrated Framework") as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Internal Audit division is responsible for independently auditing the functionality of the internal control system. In order to fulfill its duties, Internal Audit has been granted extensive rights with regard to information, inspection and access. In 2011 an internal audit was not conducted.

Risk assessment

Sedo Holding AG regards risk management as a measure to identify and assess risks and to reduce them to an acceptable level, as well as monitoring recognized risks. A risk management system requires organized action to adequately deal with uncertainty and threats and urges employees to utilize the regulations and instruments required to implement the risk management principles.

The risk management system of Sedo Holding AG is a system with which risks can be identified and assessed, especially those business transactions which may represent a threat to the Company's existence. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

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

Description of the internal control system

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

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

With the aid of organizational, control and monitoring structures defined by Sedo Holding AG, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in group accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the group accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly. The accounting-related internal control system described above is also complemented by so-called Entity Level Controls from the highest executive bodies.

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

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

9. Explanation of Disclosures acc. to Sections 289 (4), 315 (4) HGB

Capital stock

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

Limitations which apply to the shares

On September 29, 2009, and with the approval of the Supervisory Board of the same day, the Management Board of Sedo Holding AG resolved to increase capital from Authorized Capital by a total of € 4,250,000.00, from € 26,205,890.00 to € 30,455,890.00, by means of non-cash contribution through the issue of 4,250,000 new, registered no-par value shares with a nominal value of € 1.00 per share ("New Shares"). The non-cash contribution was in the form of shares in Sedo GmbH, Cologne, Germany. The capital increase 2009 was concluded on November 20, 2009 and entered in the Commercial Register. Due to contractually agreed vesting periods, the New Shares may not be traded for a specific time. They are therefore not initially released for stock exchange trading. Sedo Holding AG intends to apply for admission of the new shares in stages, as follows: half of the new shares, i.e. 2,125,000 units, are to be admitted for trading from October 2011 and the remaining new shares, i.e. the other 2,125,000 units, are to be admitted for trading from October 2013.

Direct Participation in the Capital

As of December 31, 2010, United Internet AG, Montabaur, according to the information of the Company, directly and indirectly via United Internet Beteiligungen GmbH, Montabaur, held 23,997,518 no-par value shares or 78.79% of the shares of Sedo Holding AG.

Appointment and Dismissal of Members of the Management Board, Amendments to the Company's Articles

The appointment and dismissal of members of the Management Board is regulated by Sections 84, 85 of the German Stock Corporation Act (AktG), I. 4. of the rules of procedure for the Supervisory Board and Section 6 (1) of the Company's Articles. The Supervisory Board appoints the members of the Management Board for a period of no more than five years. The Supervisory Board can revoke the appointment of a Management Board member and the appointment as Chairman of the Management Board for important grounds. The Management Board consists of one or more persons, whereby the number is determined by the Supervisory Board. The Supervisory Board may appoint a member of the Management Board as chairman. Deputy members of the Management Board may also be appointed.

Every amendment to the Company's Articles requires a resolution of the Annual Shareholders' Meeting. The resolution of the Annual Shareholders' Meeting requires a majority of at least three-quarters of capital stock represented at the time of adoption. The Supervisory Board is authorized to make amendments to the articles insofar as they only affect the form.

Powers of the Management Board to issue shares

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 18, 2015 by a total of € 15,200,000.00 by issuing up to 15,200,000 new no-par shares for cash or non-cash contributions (Authorized Capital 2010).

In the event of an increase of capital the shareholders shall be granted a right to subscribe.

The Management Board is, however, authorized, with the approval of the Supervisory Board, to exclude residual amounts from the subscription rights of the shareholders and also to exclude the subscription rights of the shareholders, insofar as this is necessary in order to be able to grant the bearers of options or rights of conversion to shares in the Company a right to subscribe to the new shares on a scale in accordance with the exercise of their rights or fulfilment of their conversion rights.

In addition, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders, if the shares are issued for cash and the issue price of the new shares does not fall significantly below the stock market price for shares of the Company with the same structure and, the shares issued in accordance with Section 186 (3), Sentence 4 AktG, do not exceed ten percent of the share capital. Under this limitation, shares should be taken into account which on the basis of other authorizations in direct or corresponding application of Section 186 (3) Sentence 4 AktG have been sold or issued under the exclusion of subscription rights.

Furthermore, the Management Board, with the approval of the Supervisory Board, is authorized to exclude the subscription rights, insofar as new shares should be issued in return for non-cash contributions and the exclusion of subscription rights is in the interest of the company.

The Management Board is also authorized, with approval of the Supervisory Board, to define the further details of the increase in capital, the further contents of the share rights and the conditions of the issue of shares.

The Supervisory Board is authorized, to redefine Section 5 of these rules in accordance with the implementation of the increase in share capital or after expiry of this authorization period.

Capital stock may also be increased conditionally by up to € 1,044,010.00, divided into up to 1,044,010 no-par value shares (Conditional Capital 2004). The conditional capital increase is earmarked for conversion options to be granted to the bearers of convertible bonds. The Annual Shareholders' Meeting of May 17, 2004, authorized the Management Board or Supervisory Board to issue such convertible bonds. It will only be implemented to the extent that these conversion options are exercised and providing the Company does not service the conversion options from its stock of treasury shares. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to the members of the Management Board, the Supervisory Board is authorized and, with regard to the other persons entitled to convertible bonds, the Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

Capital stock may be increased conditionally by up to € 14,100,000.00, divided into up to 14,100,000 no-par value shares (Conditional Capital 2010). 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 19, 2010 authorized the Company or a subordinated Group company to issue up to May 18, 2015, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the Company's stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the Company's stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

The Supervisory Board is authorized, to revise Section 5 of the articles in accordance with the respective exercising of the conversion rights and in accordance with the respective utilization of the conditional capital.

Powers of the Management Board to buy back shares

At the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized, in accordance with Section 71 (1) No, 8 AktG, up to May 19, 2015, to acquire treasury shares with a value of up to ten percent of its capital stock. The authorization may be exercised by the Company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, also be exercised by dependent or majority-owned associates of the Company or by third parties for the Company's or their own account. The acquired shares may not, in combination with other shares owned by or in the possession of the Company or to be attributed to the Company pursuant to Sections 71 a et seq. German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock. The authorization may not be used for the purposes of trading with Company shares.

The acquisition of the treasury shares can be effected in all legally permitted ways, in particular, through the repurchase via the stock market and/or by means of a public offer to buy. In the case of acquisition via the stock market, the countervalue for the acquisition of treasury shares (excluding additional acquisition costs) may not be more than ten percent below or above the stock market price.

In the case of acquisition of own shares via a public offer to buy, the company can publish a formal offer or publicly invite the submission of offers, and thereby provide cash payment or the assignment of liquid shares in return respectively.

The exclusion or the restriction of the tender of delivery right of the shareholders requires a resolution of the Management Board and the approval of the Supervisory Board.

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these acquired shares and others previously acquired for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders, if the treasury shares are sold for cash compensation which is not significantly lower than the share price for the same type of Company shares at the time of such sale, or for non-cash compensation whose value is not generally regarded as inappropriately low (in each case excluding transaction costs).

This authorization is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Section 186 (3) Sentence 4 AktG.

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

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

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

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

The afore-mentioned authorizations came into force on May 20, 2010 and remain valid until May 19, 2015.

10. Declaration on Corporate Governance acc. to Section 289a German Commercial Code (HGB)

Listed companies are required to publish a declaration on corporate management once per year. This declaration should include the declaration according to the Corporate Governance Code, relevant details of corporate management practices which go beyond the legal requirements and a description of the operations of Management Board and Supervisory Board. The Declaration on Corporate Governance according to § 289a HGB is part of the Management Report. In accordance with § 317 Par. 2 Sentence 3 HGB, the details according to § 289a HGB should not be included in the audit.

With regard to the recommendations of the "Government Commission on the German Corporate Governance Code", listed companies in accordance with § 161 AktG are required to publish a declaration of conformity once a year.

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

In March 2012, the Management Board and Supervisory Board of Sedo Holding AG submitted their current annual declaration of conformity in accordance with Section 161 AktG and published it on the website as well as in the electronic Federal Gazette.

Declaration of conformity by Sedo Holding AG with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)

In accordance with Sec. 161 AktG, the Management Board and Supervisory Board of Sedo Holding AG declare that:

Sedo Holding AG complied with the recommendations of the German Corporate Governance Code (in the version dated Mai 26, 2010) with the following exceptions, and expects to comply in future with the following exceptions:

Deductibles in the case of D&O insurance policies (Code section 3.8)

Since the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into force, the German Stock Corporation Act now requires that Management Board members accept an obligatory deductible for D&O insurance policies of at least 10% of the loss and up to at least one-and-a-half times the fixed annual compensation of the respective

Management Board member (Sec. 93 AktG). Deductibles need not be agreed, however, for Supervisory Board members (Sec. 116 AktG). Beyond the scope of the German Stock Corporation Act the German Corporate Governance Code recommends that a similar deductible be agreed for the Supervisory Board in any D&O policy.

Sedo Holding AG has fully adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed its first deductible for members of the Management Board. No deductible was agreed for the Supervisory Board. Sedo Holding does not generally believe that the motivation and responsibility with which the members of Sedo Holding's Supervisory Board conduct their duties will be affected by such a deductible.

Committees (Code section 5.3)

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

The Supervisory Board of Sedo Holding AG currently consists of three members: in addition to their other duties, the members also deal as a group with the above-mentioned topics. Commitees have not been formed. Given the current size of the Supervisory Board, the formation of committees does not appear suitable for improving the efficiency of the Supervisory Board's work. The rules of procedure, therefore, state that committees should only be formed if there are more than three members.

Composition of the Supervisory Board (Code section 5.4.1)

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives of the Supervisory Board and the status of their implementation shall be published in the Corporate Governance Report.

The Management Board of Sedo Holding AG has been completely reformed since October 2009. In this connection, two of the current four members of the Management Board were newly appointed on July 1, 2011, and one on February 1, 2012. The Supervisory Board with its three members, too, has only existed in its current composition since December 2009. Due to this special situation, the Supervisory Board has not formulated concrete objectives for the composition of the Supervisory Board at the present time as, in the opinion of the Supervisory Board, the special importance of this topic could not be adequately handled. Against this background, the Supervisory Board – in the interests of the Shareholders and the Company, as well as in complete conformity with the legal requirements – has decided to ensure personal continuity and the retention of extensive competencies and a well-ordered transition. The Supervisory Board Chairman, Mr. Michael Scheeren, as well as Supervisory Board member, Andreas Gauger, should, therefore, be proposed for re-election at the scheduled re-election of the Supervisory Board members at the 2012 Annual Shareholders'

Meeting. At the suggestion of the major shareholder, United Internet AG, furthermore, the Supervisory Board intends to propose the previous Chief Executive Officer, Tim Schumacher, for election as a new Supervisory Board member (for Mr. Ralph Dommermuth). With these proposals the Supervisory Board orientates itself on the legal requirements for such election proposals. The Supervisory Board will closely observe developments in the regulatory environment and in the trading conditions of the Company and decide for the recommendations of the codex with regard to the concrete aims and in good time before the next scheduled re-election of the Supervisory Board, make its decision on the recommendations of the code with respect to concrete objectives and their implementation within the scope of proposals by the Supervisory Board to the Shareholders' Meeting as well as the reporting on this. Without knowledge of changes which may possible arise in the meantime the regulatory environment and the trading conditions of the Company, it does not seem proper to already formulate concrete objectives today on the required scale and in an adequate way, taking into consideration all the essential aspects. With its election proposals to the Shareholders' Meeting, the Supervisory Board will in future continue to observe the legal requirements and hereby – irrespective of gender – put the focus on the specialist and personal qualification of the candidates. In this connection, it taken for granted that the international activity of the Company as well as potential conflicts of interest and diversity will be taken into account.

Compensation of Supervisory Board members (Code section 5.4.6)

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

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

Publication of reports (Code section 7.1.2)

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

As already announced in its Financial Calendar 2011, Sedo Holding AG did not publish its interim report for the first six months of 2011 until August 15, 2011 for organizational, internal reasons.

Corporate Governance practices

The management of Sedo Holding AG acts in accordance with the legal and statutory requirements and the recommendations and suggestions of the German Corporate Governance Code. The recommendations of the Government Commission on the Corporate Governance Code are made available in the official part of the electronic Federal Gazette. The Management is committed to serving the best interests of the Company.

Description of Management Board and Supervisory Board procedures

In accordance with its legal status, Sedo Holding AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The Management Board and the Supervisory Board conduct their activities according to the German Stock Corporation Act, the Company's articles of incorporation and the respective rules of procedure. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

The Supervisory Board advises and monitors the Management Board regularly in connection with the management of the Company. The Supervisory Board maintains regular contacts with the Management Board, in particular, with its Chairman, and discusses with him the strategy, the business development and the risk management of the Company.

The Supervisory Board of Sedo Holding AG consists of three members who are elected by the Annual Shareholders' Meeting. The members of the Supervisory Board are generally elected for a period of five years. For nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board is composed of members who have the required knowledge, abilities and expert experience to properly complete their tasks and are sufficiently independent. Members of the Supervisory Board must not be older than 70. The Supervisory Board shall elect a Chairman and his Deputy for the term of office. The Supervisory Board has set itself rules of procedure and acts in accordance with these rules, as well as with legal provisions and the Company's articles. The Supervisory Board regularly examines the efficiency of its activities. The Annual Shareholders' Meeting is responsible for setting the remuneration of Supervisory Board members.

A total of five Supervisory Board meetings were held in the 2011 fiscal year. The meetings of the Supervisory Board are convened by the Chairman. The agenda and resolutions for adoption are transmitted when each meeting is convened. The Supervisory Board is quorate if all members have been invited in an orderly manner and half the members, but at least three, are present for the adoption of resolutions. The meetings are chaired by the Chairman. Resolutions of the Supervisory Board are adopted with a simple majority, unless otherwise prescribed by law. Minutes are taken of the discussions and the decisions of the Supervisory Board.

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

The Chairman of the Supervisory Board explains the activities of the Supervisory Board at the Annual Shareholders' Meeting. In his report to the Annual Shareholders' Meeting, the Chairman provides information about any conflicts of interests which have arisen for Supervisory Board members and their resolution. The Supervisory Board Report is published in the Annual Report of Sedo Holding AG and on the Company's website.

The Management Board consists of four members. The Supervisory Board appoints and dismisses the members of the Management Board and decides on their number. The maximum possible term is five years. The age limit for members of the Management Board is 70. The Supervisory Board issues rules of procedure for the Management Board together with a catalogue of transactions requiring its approval. The Supervisory Board appoints one member of the Management Board as its Chairman. The Supervisory Board determines the remuneration of the Management Board and consists of fixed and variable components. In the Notes to the Consolidated Financial Statements, the remuneration is listed in detail according to fixed sum, performance-related components and components with a long-term incentive effect.

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

The Annual Shareholders' Meeting is convened by the Management Board. An ordinary Annual Shareholders' Meeting adopts resolutions concerning, in particular, the appropriation of the balance sheet profit, the release of the Management Board and the Supervisory Board from their responsibility, and the election of the external auditors. All shareholders listed in the Share Register and who have registered are authorized to participate and vote at the Annual Shareholders' Meeting. Each share entitles the owner to one vote at the Annual

Shareholders' Meeting. Voting rights may also be exercised by proxy. The Annual Shareholders' Meeting is chaired by the Chairman of the Supervisory Board. Resolutions of the Annual Shareholders' Meeting are adopted with a simple majority of votes cast, unless otherwise prescribed by law or the Company's articles, and where the law requires a capital majority, with a simple majority of the capital represented entitled to vote.

11. Dependent Company Report

The Management Board of Sedo Holding AG has submitted a Dependent Company Report to the Supervisory Board according to Section 312 (1) AktG, which deals among other things with the possible dependence of the majority shareholder United Internet AG. It concludes with the declaration that under the circumstances known by the Management Board at the time in which this legal transaction or the measure was taken or refrained from, in each legal transaction received a fair equivalent or as a result of the measure was taken or refrained from, was not put at a disadvantage.

12. Outlook

Sedo Holding is firmly convinced that, especially performance-oriented advertising forms, in other words, that part of advertising which has a direct effect on the behaviour of consumers and other customers on the interactive medium of the Internet, good growth is still likely in the medium and long term.

In the area of **Affiliate Marketing** in future strong investments should be made in the following areas: automation of sales processes, improvement on the user-friendliness of the platform, sector-specific functions as well as development of the data-mining capabilities. In addition, increasing sales are expected through the opening up of further customer potentials.

In the area of **Domain Marketing** in which Sedo has a leading position worldwide, the market is currently developing ambivalently. While Domain Trading is at a solid level, both on the marketplace and in our reseller system "SedoMLS", Domain Parking is characterized by a stagnating market. Our own holding of domains will be more strongly focussed in future on strong-yield domains. It is also our aim to extend Domain Trading through further SedoMLS cooperations and to achieve improved user-friendliness of the platforms as well as to advance the process of internationalization. The management can see further potential for the secondary market in countries like Portugal, Brazil or Turkey.

For the 2012 fiscal year the Management Board expects to be able to participate in the forecast growth in the online advertising market. Sedo Holding AG, therefore, expects an increase in sales revenues of about 10% and the EBT before one-offs of around 15%. On the basis of a continued positive market environment, management also expects increasing sales and profit contributions in the following 2013 fiscal year.

Future-related statements and forecasts

This management report contains future-related statements of the Management Board which are based on current expectations, assumptions, forecasts and the currently available information. The future-related statements cannot be understood as guarantees for the future developments and results mentioned in them. On the contrary, future developments and results are dependent on a large number of factors. They involve various risks and imponderabilities and are based on assumptions which in future may possibly prove to be incorrect. Sedo Holding AG accepts no liability to adapt or to update the future-related statements made in this report.

Cologne, March 15, 2012

The Management Board

Tobias Flaitz	Axel Hamann	Alexander Röthinger	Dr. Dorothea von Wichert-Nick
Marketing/Sales Sedo	Finance	Technology	Marketing/Sales affilinet

Sedo Holding AG,

Cologne

Consolidated Financial Statements

acc. to IFRS

as of December 31, 2011

Sedo Holding AG - Consolidated balance sheet acc. to IFRS as of Dezember 31, 2011 in €

	Notes	31.12.2011 in €	31.12.2010 in €
ASSETS			
Cash and cash equivalents	*(15)*	21.067.559	6.316.289
Accounts receivable	*(16)*	13.386.017	14.571.260
Accounts receivable from affiliated companies	*(16)*	69.241	51.862
Inventories	*(17)*	2.119.884	2.438.463
Other non-financial assets	*(18)*	527.762	562.372
Other financial assets	*(19)*	553.184	14.320.536
Current assets		**37.723.647**	**38.260.782**
Shares of associated companies	*(12)*	999.001	955.779
Property, plant and equipment	*(20)*	1.039.553	1.058.093
Prepayments on intangible assets	*(21)*	409.275	0
Intangible assets (excl. goodwill)	*(21)*	1.302.531	1.666.572
Goodwill	*(10)*	72.152.636	75.649.666
Deferred tax assets	*(13)*	1.004.266	1.962.648
Non-current assets		**76.907.262**	**81.292.758**
Total assets		**114.630.909**	**119.553.540**
LIABILITIES AND EQUITY			
Liabilities			
Trade accounts payable	*(22)*	18.152.933	17.888.070
Liabilities due to affiliated companies	*(23)*	100.464	250.106
Tax provisions	*(25)*	216.071	2.710.281
Other provisions	*(26)*	1.031.624	1.035.910
Other current liabilities	*(27)*	3.187.950	4.317.257
Convertible bonds	*(28) (29)*	0	563
Current liabilities		**22.689.042**	**26.202.187**
Deferred tax liabilities	*(13)*	286.715	339.804
Non-current liabilities		**286.715**	**339.804**
Total liabilities		**22.975.757**	**26.541.991**
Equity			
Capital stock	*(29)*	30.455.890	30.455.890
Additional paid-in capital	*(29)*	38.468.974	38.769.089
Accumulated profit	*(29)*	22.792.658	23.879.226
Currency translation adjustments	*(29)*	139.824	147.734
Equity of shareholders of the parent company		**91.857.346**	**93.251.939**
Non-controlling interest	*(29)*	-202.194	-240.390
Total equity		**91.655.152**	**93.011.549**
Total liabilities and equity		**114.630.909**	**119.553.540**

Sedo Holding AG - Statement of comprehensive income acc. to IFRS from January 1 to December 31, 2011 in €

	Notes	**Jan. - Dec. 2011 in €**	**Jan. - Dec. 2010 in €**
Sales revenues	(35)	124.475.855	116.095.150
Cost of sales	(4)	-97.125.997	-91.216.803
Margin in % of sales		*22,0%*	*21,4%*
Gross profit		**27.349.858**	**24.878.347**
Selling expenses	(5)	-12.772.672	-11.702.016
General and administrative expenses	(6)	-7.972.464	-8.918.680
Other operating expenses	(7)	-5.940.914	-4.401.038
Other operating income	(8)	5.653.762	4.253.146
Amortization of capitalized assets in the scope of acquisitions	(9)	-120.690	-1.051.618
Goodwill amortization	(10)	-3.500.000	-162.180
Operating result		**2.696.880**	**2.895.961**
Interest and similar expenses	(11)	-82.496	-257.750
Interest and similar income	(11)	477.211	554.625
Result from associated companies	(12)	77.032	62.295
Pre-tax profit from continued operations		**3.168.627**	**3.255.131**
Income taxes	(13)	-4.212.386	-2.214.351
Result from continued operations		**-1.043.759**	**1.040.780**
Result from discontinued operrations		0	1.527.666
Net income/loss		**-1.043.759**	**2.568.446**
Other comprehensive income			
Earnings/losses from currency translations after taxes		-12.523	189.735
Other comprehensive income after taxes		**-12.523**	**189.735**
Total comprehensive income after taxes		**-1.056.282**	**2.758.181**
Net income/loss attributable to			
Shareholders of the parent company		**-1.086.568**	**2.725.321**
Non-controlling interests		42.809	-156.875
Total comprehensive income attributable to			
Shareholders of the parent company		**-1.094.478**	**2.919.965**
Non-controlling interests		38.196	-161.784
Earnings per share			
basic (€/share), from net income attributable to the holders of registered ordinary shares of the Company	(14)	-0,03	0,08
diluted (€/share), from net income attributable to the holders of registered ordinary shares of the Company	(14)	-0,03	0,08
Earnings per share from continued operations			
basic (€/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company		-0,03	0,03
diluted (€/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company		-0,03	0,03
Earnings per share from discontinued operations			
basic (€/share), from result from discontinued operations attributable to the holders of registered ordinary shares of the Company		0,00	0,05
diluted (€/share), from result from discontinued operations attributable to the holders of registered ordinary shares of the Company		0,00	0,05
Weighted avererage number of shares outstanding		30.455.890	30.455.890
Weighted avererage number of shares outstanding (diluted)		30.455.890	30.455.890

Sedo Holding AG - Consolidated cash-flow acc. to IFRS from January 1 to December 31, 2011 in €

	Notes	Jan. - Dec. 2011 in €	Jan. - Dec. 2010 in €
Net income/loss		-1.043.759	2.568.446
of which result from discontinued operations		0	1.527.666
Adjustment to reconcile net income/loss to net proceeds from operating activities			
Amortization/depreciation of intangible assets and property, plant and equipment	*(4 - 6) (9) (21)*	1.051.457	2.051.135
Amortization of goodwill	*(10)*	3.500.000	162.180
Depreciation of inventories	*(17)*	342.799	3.382.673
Net result from disposal of assets		5.428	6.823
Change in deferred taxes	*(13)*	923.746	-1.136.311
Compensation expenses from employee stock options plan	*(28) (29)*	-300.115	233.814
Result from associated companies	*(12)*	-77.032	-62.295
Operating cash flow from continued operations		**4.402.524**	**5.678.799**
Non-cash effects from discontinued operations		0	-1.660.780
Total operating cash flow		**4.402.524**	**5.545.685**
Changes in assets and liabilities			
Change in trade accounts receivables		1.161.629	-3.095.166
Change in receivables from affiliated companies		-17.379	-25.255
Change in inventories		-24.220	-230.335
Change in other current financial assets		1.572.524	333.111
Change in other non-financial assets		34.610	-224.433
Change in trade accounts payable		264.863	714.095
Change on accounts payable due to affiliated companies		-149.642	100.052
Change in tax provisions		-2.494.210	-1.024.789
Change in other provisions		-4.286	-1.131.506
Change in other liabilities		-1.129.307	572.970
Changes in assets and liabilities from continued operations		**-785.418**	**-4.011.256**
Change in assets and liabilities from discontinued operations		0	0
Net proceeds from continued operations		**3.617.106**	**1.667.543**
Net expenditures from discontinued operations		**0**	**-133.114**
Net proceeds from operating activities		**3.617.106**	**1.534.429**
Cash flow from investment activity			
Capital expenditure for property, plant and equipment	*(20)*	-517.013	-592.825
Capital expenditure for intangible assets	*(21)*	-601.125	-22.997
Investments	*(3)*	0	-67.255
Dividends and other payments from investments	*(12)*	33.810	0
Proceeds from the disposal of assets		9.034	36.583
Proceeds from the disposal of companies (net of acquired cash)	*(19)*	12.194.828	0
Total cash flow from investment activities		**11.119.534**	**-646.494**
Cash flow from financing activities			
Repayment of short-term bank loans	*(24)*	0	-1.400.080
Repayment of convertible bonds	*(28)*	-563	-3.500
Total cash flow from financial activities		**-563**	**-1.403.580**
Net increase/decrease in cash and cash equivalents		14.736.077	-515.645
Cash and cash equivalents at the beginning of the fiscal year		6.316.289	6.547.793
Effect of addition of cash and cash equivalents from first consolidation		0	11.097
Effects of exchange rate differences on cash		15.193	273.044
Cash and cash equivalents at the end of the reporting period		**21.067.559**	**6.316.289**
Interest deposits		775.478	432.033
Interest payments		-137.592	-254.250
Tax refunds		1.229.118	282.554
Payments for taxes		-6.036.190	-5.025.912

Sedo Holding AG - Changes in shareholder equity acc. to IFRS from January 1 to December 31, 2011 in €

	Capital stock	Additional paid-in capital	Accumulated profit/deficit	Currency translation adjustment	Equity of shareholders of the parent company	Non-controlling interest	Total Company's equity
Notes	*(29)*	*(29)*	*(29)*	*(29)*		*(29)*	
	in shares and €	€	€	€	€	€	€
Balance as of December 31, 2009	**30.455.890**	**74.432.826**	**-14.743.646**	**-46.910**	**90.098.160**	**0**	**90.098.160**
Net income/loss	0	0	2.725.321	0	2.725.321	-156.875	2.568.446
Other comprehensive income	0	0	0	194.644	194.644	-4.909	189.735
Total comprehensive income	0	0	2.725.321	194.644	2.919.965	-161.784	2.758.181
Additions of non-controlling interests	0	0	0	0	0	-78.606	-78.606
Additions from stock option plan	0	233.814	0	0	233.814	0	233.814
Withdrawal from additional paid-in capital	0	-35.897.551	35.897.551	0	0	0	0
Balance as of December 31, 2010	**30.455.890**	**38.769.089**	**23.879.226**	**147.734**	**93.251.939**	**-240.390**	**93.011.549**
Net income/loss	0	0	-1.086.568	0	-1.086.568	42.809	-1.043.759
Other comprehensive income	0	0	0	-7.910	-7.910	-4.613	-12.523
Total comprehensive income	0	0	-1.086.568	-7.910	-1.094.478	38.196	-1.056.282
Additions / withdrawals from stock option plan	0	-300.115	0	0	-300.115	0	-300.115
Balance as of December 31, 2011	**30.455.890**	**38.468.974**	**22.792.658**	**139.824**	**91.857.346**	**-202.194**	**91.655.152**

IFRS Notes – December 31, 2011

1. Information on the company

Nature of the business

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

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

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

The Company's registered office is at Im Mediapark 6, 50670 Cologne, Germany, with branches or subsidiaries in Munich, Hanover, Cologne, Montabaur, Cambridge/Boston (Massachusetts/USA), Haarlem (Netherlands), Levallois-Perret (France), London (UK) and Madrid (Spain). All Company offices are leased.

Employees

On December 31, 2011, the Sedo Holding Group had 345 employees (previous year: 340). The average number of employees was 341 (previous year: 326). The employees are allocated among the various divisions as follows:

	2011	2010
Order Processing	-	30
Product Management and Development	67	59
Marketing	19	18
Sales	153	153
Administration	65	52
IT	15	14
Purchasing performance services (sales partner)	22	-
Average number of employees	341	326

The reporting company

The Group's parent company, Sedo Holding AG, was founded on September 6, 1996 as 1&1 Multimedia Service GmbH. In accordance with a resolution of the Annual Shareholders' Meeting of January 24, 1997, the Company was renamed 1&1 Online Dialog GmbH. With a resolution of September 29, 1999 the Company was renamed AdLINK Internet Media GmbH Europe. With a resolution of the Annual Shareholders' Meeting of February 14, 2000, the legal form was changed to that of a public limited company ("Aktiengesellschaft") with the name AdLINK Internet Media AG. The Annual Shareholders' Meeting of May 19, 2010 decided to change the previous name of the Company on the basis of the completed realignment to Sedo Holding AG and also to relocate the official registered office of the Company in Cologne.

Sedo Holding AG is registered at Cologne District Court under HRB 70359.

The parent company

The annual financial statements of Sedo Holding AG are included in the annual financial statements of the Group's controlling parent company United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany. United Internet AG is thereby the direct parent company of Sedo Holding AG, although some of the shares are held indirectly via United Internet Beteiligungen GmbH, Elgendorfer Straße 57, 56410 Montabaur, Germany.

2. Accounting and valuation principles

2.1 Basis of preparation

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

The reporting currency is the Euro (€). Amounts stated in the notes to the financial statements are in thousand Euro (€k) or million Euro (€m). The consolidated financial statements are always drawn up on the basis of historical costs. The exceptions to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value, however were not held or received by the Company in the years of 2011 and 2010 and were thus not applied.

The balance sheet date is December 31, 2011.

The Supervisory Board approved the consolidated financial statements for 2010 at its meeting on March 18, 2011. The consolidated annual financial statements were published in the electronic German Federal Gazette ("Bundesanzeiger") on June 14, 2011.

The consolidated financial statements for 2011 were prepared by the Company's Management Board on March 15, 2012 and subsequently submitted to the Supervisory Board. The Supervisory Board will decide on its approval of the consolidated financial statements on March 26, 2012.

2.2 Consolidation principles

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

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

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

Shares without a controlling interest (non-controlling interests) represent the proportion of the result and net assets which is not attributable to the Group. Non-controlling interests are disclosed separately in the statement of comprehensive income and consolidated balance sheet. Non-controlling interests are disclosed in the consolidated balance sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of the parent company. Losses of a subsidiary are also then assigned to the non-controlling interests, if this leads to a negative balance. Since January 1, 2010, in the event of acquisition of shares without a controlling interest or the disposal of shares with a controlling interest, without the controlling interest being lost, the carrying values of the shares with and without a controlling interest will be adjusted in order to reflect the change in the respective participation quota. The amount by which the sum to be paid or received for the change in the participation quota exceeds the carrying value of the shares with and without a controlling influence is to be included directly in the equity capital being assigned to the share with a controlling influence.

As of December 31, 2011, the Group includes the following subsidiaries in which Sedo Holding AG holds a direct or indirect majority interest (as indicated by the shareholding/ abbreviation in brackets):

- Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur/Germany (100%/“Response Republic“)
    - Sedo GmbH, Cologne/Germany (100%/“Sedo Germany”)
        - DomCollect Worldwide Intellectual Property AG, Zug/Switzerland (100%, [0.002% in escrow]/“DomCollect”)
    - Sedo.com LLC, Cambridge (Boston)/USA (100%/“Sedo USA”)
    - Sedo London Limited, London/Great Britain (100%/“Sedo UK”)
- affilinet GmbH, Munich/Germany (100%/“affilinet Germany”)
    - affilinet España SLU, Madrid/Spain (100%/“affilinet Spain”)
    - affilinet Nederland B.V., Haarlem, Netherlands (100%, “affilinet Netherlands“)
    - affilinet Ltd., London/Great Britain (100%/“affilinet UK”)
    - affilinet France SAS, Levallois-Perret/France (100%/“affilinet France“)

In addition, Intellectual Property Management Company Inc., with its registered office in Dover, Delaware, USA (“IPMC”), is included since January 1, 2010 as a fully-consolidated company in the Group‘s consolidated financial statements. Sedo GmbH holds 49% of the shares in IPMC as well as a purchase option on a further 32% of the shares, which could be exercised since January 1, 2010. Already the possibility of its being exercised leads, according to IAS 27 “Consolidated and separate financial statements”, to the company being fully consolidated as of the 2010 fiscal year. Until December 31, 2009 the company was included in the accounts as an associated company at equity.

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

- DomainsBot Srl, Rome / Italy (49%/“DomainsBot Italy”)
  - DomainsBot Inc., San Francisco/California / USA (49%/“DomainsBot USA”)

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

For further information, we make reference to Note 3: “Corporate transactions”.

2.3 Changes in accounting and valuation methods

The accounting and valuation policies applied mainly correspond to the methods applied in the previous year, with the exception of the following new and revised IFRS standards and interpretations applied for the first time. There were no significant effects on the presentation of the Group’s net assets, financial situation and results of operations from the application of new or revised standards and interpretations.

IAS 24 – Related Party Disclosures

In November 2009, the IASB published the revised IAS 24. As a result of the revision, firstly the reporting duties of companies in which the state is involved (so-called state-controlled entities) are simplified. Furthermore, the definition of related parties has been extensively revised. The revised standard is applicable for fiscal years starting on or after January 1, 2011. The application of the revised standard had no effects on the consolidated financial statements of the Company.

IAS 32 – Financial Instruments: Presentation

In October 2009, the IASB published revisions to IAS 32 for the classification of pre-emptive rights. The standard clarifies such cases in which pre-emptive rights are quoted in a currency which diverges from the company’s functional currency. The published revisions to IAS 32 are the rapid response of the IASB to the finance market crisis, as a result of which the number of such cases increased, since the companies increasingly attempted to raise additional capital. The revisions are applicable to fiscal years which start on or after February 1, 2010. The revised standard did not have any effects on the consolidated financial statements of the Company due to the lack of an area of application.

Revision of IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset. Minimum Funding Requirements and their interaction

In November 2009, the IFRIC published a revision of IFRIC 14 which is applicable if, in connection with its pension plans, a company which has to meet minimum remuneration obligations makes an early payment on these. The revision is applicable to fiscal years which start on or after January 1, 2011. The revised IFRIC 14 did not have any effects on the consolidated financial statements of the company due to the lack of an area of application.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The interpretation contains guidelines for the treatment of such transactions also described as “Debt for Equity Swaps”. It clarifies the requirements in the IFRS if a company renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity capital instruments of the company for the full or partial extinguishing of the financial liability. IFRIC 19 is to be applied for fiscal years, which start on or after July 1, 2010 and had no effects on the consolidated financial statements of the company due to a lack of a field of application.

Annual Improvement Project – Improvements to IFRS 2010:

On May 6, 2010 the IASB released the third final standard with amendments to existing IFRS ("Omnibus Standard"). Also included is the revision to IFRS 1 (First Time Adoption of International Reporting Standards) which was part of the standard proposal on rate-regulated activities published in July 2009. With the combination of these changes in one document, the IASB intends to reduce the effort for all concerned. Through the Annual Improvement Project 2008 - 2010 smaller revisions have been carried out as follows on a total of six standards and one interpretation of the IFRS interpretation Committee:

- IFRS 1 "First Time Adoption of International Financial Reporting Standards": Clarification of revisions the balancing of accounts and methods of valuation in the year of application, to the new basis of valuation as adopted initial costs, as well as for the use of assumed procurement costs for business activities which are subject to price regulation.
- IFRS 3 "Business combinations": Clarifications of transitional regulations for conditional services arising from a merger which took place before the coming into force of the revised IFRS for the assessment of non-controlling interests as well as for the not-replaced and voluntarily replaced share-based compensation performances.
- IFRS 7 "Financial Instruments: Disclosures": Clarification of disclosures
- IAS 1 "Presentation of Financial Statements" Clarification of the statement of changes in equity.
- IAS 27 "Consolidated and Separate Financial Statements": Temporary regulations for changes which occur as a result of IAS 27.
- IAS 34 "Interim Financial Reporting": Clarification of significant events and transactions.
- IFRIC 13 "Customer Loyalty Programmes": Explanation of the fair value of loyalty award credits.

The adopted changes must be applied for fiscal years which start on after January 1, 2011; with the exception of the changes to IFRS 3 and IAS 27 which have to be applied already as of July 1, 2010. The application of the changed standards did not have any effects on the consolidated financial statements of the Company.

The IASB and the IFRIC have published the standard listed below which has already been adopted within the context of the comitology procedure in the EU, but is not yet mandatory in the fiscal year 2011. The Group is not applying this standard in advance.

Amendments to IFRS 7 – Financial Instruments: Disclosures

In October 2010 the IASB published a standard with changes to IFRS 7 regarding the disclosure requirements for derecognitions. With the help of the new amendments, in future financial reports should be clearer and thus grant users a better insight into transactions with regard to the assignment of assets, for example, securitisations. In addition, a significant simplification of the disclosure requirements according to IFRS and US-GAAP is achieved. The amendments are to be applied for fiscal years which start on or after July 1, 2011. In addition, the Group will correspondingly realize necessary details of disclosures which possibly result from this revision.

The IASB and the IFRIC have published the standards and interpretations listed below, which up to now have not been recognized by the EU. The application of the standards and interpretations is not mandatory in the 2011 fiscal year and will not be applied by the Group.

IFRS 9 – Financial Instruments

The IASB published the new IFRS 9 standard for the categorisation and assessment of financial assets in November 2009. The publication of IFRS 9 completes phase 1 of the three-part IASB project for the complete revision of the accounting of financial instruments of IAS 39. In accordance with IFRS 9, a new, less complex approach regulates the classification and measurement of financial assets. According to it, there are now only two, rather than four, measurement categories for active financial instruments. IFRS 9 was supplemented with regulations on the accounting of financial liabilities in October 2010; in December 2011 the binding date for its first application was changed. This must now be officially applied as of January 1, 2015. In accord with the demands of the G20, however, a voluntary early application is already permissible for fiscal years which end in 2009 or later. From today's point of view, the application of the new standard will probably have no significant effect on the consolidated financial statements of the company.

IFRS 10 – Consolidated Financial Statements

In May 2011, as a part of a "package" of five new and amended standards, the IASB published the new standard IFRS 10. IFRS 10 replaces the guidelines about control and consolidation contained in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation - Special-Purpose Entities”. IAS 27 is renamed “Separate Financial Statements”; in future the standard will only handle regulations governing separate financial statements, IFRS 10 changes the definition of “control” to the extent that that the same criteria are applied to all companies for the determination of a control relationship. This definition is supported by comprehensive application guidelines which show different ways in which a reporting company (investor) can control another company (associate company). The new standard must be applied for fiscal years which start on or after January 1, 2013. An earlier application is permitted if the complete "standard package" is simultaneously used. The application of the new standard will, from today’s point of view, probably have no significant influence on the consolidated financial statements of the Company.

IFRS 11 – Joint Arrangements

In May 2011, as a part of a "package" of five new and amended standards, the IASB published the new standard IFRS 11. As a result of the amended definitions there are now two “types” of joint arrangements: joint activities and joint ventures. The previous right to choose quota consolidation for jointly-managed companies was abolished. Partner companies of a joint venture are obliged to use the balancing of equities. Companies which are involved in joint activities will have to use regulations in future which are comparable with the accounting conventions valid at present for joint assets or joint activities. The new standard becomes effective for accounting periods which start on or after January 1, 2013. An earlier application is permitted if the complete "standard package" is simultaneously used. From today’s point of view, the application of the new standard will probably not have significant effect on the consolidated financial statements of the Company.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, as a part of a "package" of five new and amended standards, the IASB published the new standard IFRS 12. IFRS 12 defines the disclosures required for companies which prepare their balance sheets in accordance with the two new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint

Arrangements"; the standard replaces the disclosure duties currrently contained in IAS 28 “Investments in Associates”. In accordance with the new standard IFRS 12 customers must make disclosures which make it possible for the addressees of the financial statement to assess the type, risks and financial consequences which are connected with the engagement of the company in subsidiaries, associated companies, joint arrangements and structured companies (special-purpose entities). The new standard becomes effective for accounting periods which start on or after January 1, 2013. An earlier application – also partially - is permitted without this leading to an obligatory application of IFRS 10, IFRS 11 or the amended IAS 27 and IAS 28. From today’s point of view, the application of the new standard will probably not have a significant effect on the consolidated financial statements of the Company.

IFRS 13 – Fair Value Measurement

In May 2011 the IASB published the new standard IFRS 13. IFRS 13 describes how the applied fair value should be determined and extends the details of the fair value; the standard does not include any specifications of which cases the fair value is to be used. IFRS 13 applies to reporting periods which start on or after January 1, 2013; an earlier application is permitted. The standard is used prospectively at the beginning of the reporting period for which its first application is conducted. From today’s point of view, the application of the new standard will probably not have any significant effect on the consolidated financial statements of the Company.

IAS 27 – Separate Financial Statements (amended 2011)

In May 2011, as a part of a "package" of five new and amended standards, the IASB published the amended IAS 27 standard. Following the publication of the IFRS 10, IAS 27 (amended 2011) only contains regulations governing separate financial statements. The amended standard becomes effective for accounting periods which start on or after January 1, 2013. An earlier application is permitted if the complete "standard package" is used simultaneously. The revised standard will not have any effects on the consolidated financial statements of the Company due to the lack of a field of application.

IAS 28 – Investments in Associates and Joint Ventures (amended 2011)

In May 2011, as a part of a "package" of five new and revised standards the IASB published the amended standard IAS 28. This has been amended in the points which arise as a result of the publication of the new standards IFRS 10, IFRS 11 and IFRS 12. The amended standard becomes effective for accounting periods which start on or after January 1, 2013. An earlier application is permitted if the complete "standard package" is used simultaneously. From today’s point of view, the application of the new standard will probably have no significant effect on the consolidated financial statements of the Company.

Amendments to IAS 1 – Presentation of Financial Statements

In June 2011, the IASB published amendments to the standard IAS 1 which essentially concern the representation of other results. The amended standard must be applied for fiscal years which start on or after July 1, 2012. From today’s point of view, the application of the new standard will probably not have a significant effect on the consolidated financial statementss of the Company.

Amendments to IAS 12 – Income taxes

In December 2010, the IASB published amendments to the standard IAS 12 which result from suggestions which were published in a standard draft for public comment in September 2010. According to IAS 12, the assessment of deferred taxes depends upon whether the carrying value of assets is realized through use or through disposal. The change offers a practical solution for this problem by the introduction of a refutable assumption that the realization of the book value is normally made by disposal. In connection with this, SIC 21 "Recovery of revalued non-depreciable assets" was pulled back. The changed standard has to be used for fiscal years which start at this or after January 1, 2012. This change most likely will not have any effects on the consolidated financial statements of the society for lack of a field of application.

Amendments to IAS 19 – Post-employment employee benefits

In June 2011, the IASB published amendments to the standard IAS 19 with the objective of making the accounting presentation of pension liabilities more transparent. The main changes include the loss of the right of choice with respect to the recording of actuarial profits affecting the operating result. The amended standard applies to fiscal years which start on or after January 1, 2013. This change will probably have no effects on the consolidated financial statements of the Company for the lack of a field of application.

Amendments to IFRS 7 /IAS 32 – Adjustment to the netting of financial assets and liabilities (offsetting)

In December 2011, the IASB published supplements to IAS 32 and IFRS 7. In them the IASB clarifies some details with respect to the netting of financial assets with liabilities and, in this connection, demands additional details. For fiscal years starting on or after January 1, 2013 (additional disclosure) or 2014 (clarification), these supplements are mandatory and apply retrospectively. From today's point of view, the application of the new standard will probably not have significant effects on the consolidated financial statements of the Company.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The interpretation published in October 2011 contains guidelines on the balancing of stripping costs which arise in the extraction of ore or mineral deposits. IFRIC 20 should be applied for fiscal years which start on or after July 1, 2013 and will have no consequences on the consolidated financial statements of the Company due to a lack of field of application.

2.4 Summary of significant accounting and valuation methods

Revenue recognition

The Sedo Holding Group is one of Europe's leading independent advertising networks. Through the specialist companies, which belong to the Sedo Holding Group, it offers advertising customers a range of online marketing and sales solutions in the field of Affiliate and Domain Marketing. In the case of revenue recognition, a distinction must be made between the Group's various specialists.

Domain Marketing

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

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

A further part of sales revenue is generated from the marketing of domains which have been “parked” for advertising purposes. The Company receives performance-based payment on a monthly basis from the advertising partner on a pay-per-click basis. The monthly payments credited by the advertising partner are recognized as revenue. Payments to the domain owners for the provision of the domain are not deducted (gross method).

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

Affiliate Marketing

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

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

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

<u>Invoicing on a cost-per-click basis</u>
In the case of cost-per-click invoicing, performance can only be billed if the website visitor clicks on the advertiser’s display. The amount per click is fixed.

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

<u>Invoicing on a cost-per-sale basis</u>
In this case, invoicing is generally a percentage of actual sales or orders of the advertiser.

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

The Company recognizes revenue using the gross method. Remuneration of affiliates is allocated to cost of sales.

Foreign currency translation

The consolidated financial statements are prepared in Euro, the Company's functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every balance sheet date using the closing rate. All currency differences are expensed in the income statement. The exceptions are currency differences from loans in foreign currencies, providing they are used to hedge a net investment in a foreign operation. These are carried directly in equity until the sale of the net investment and only recognized in the period result on disposal. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying values of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into Euro at the closing rate. Equity positions are valued at the time of acquisition at historical cost. Income and expenditure is translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

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

(in relation to € 1)	Closing rate		Annual average rate	
	31.12.2011	31.12.2010	2011	2010
US Dollar	1.2939	1.3362	1.3920	1.3257
Pound Sterling	0.8353	0.8608	0.8679	0.8578

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation. Scheduled depreciation is made using the straight-line method over the expected economic useful life of the asset. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each fiscal year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

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

Depreciation is based on the following useful life periods:

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

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

Borrowing costs

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

Business combinations and goodwill

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

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at cost less cumulative impairment charges and not amortized in scheduled amounts. Goodwill is subjected to an impairment test at least once annually or whenever there is any indication of impairment. The Company undertakes the annual impairment test for goodwill on the balance sheet date.

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

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

The recoverable amount of the cash-generating units was calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based on the 3-year-budget of the respective cash-generating unit, as well as on the basis of external sector-related market studies and management expectations of cash-flow forecasts for a detailed planning period of a further year. Cash flows after this four-year period are extrapolated on the basis of an annual growth rate of 1.0% (previous year: 1.5%).

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

Intangible assets

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

A differentiation is made between intangible assets with **definable** and those with **non-definable** useful lives.

Intangible assets with definable useful lives are amortized over their expected economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. The useful lives and amortization methods of intangible assets with definable useful lives are reviewed at least at the end of each fiscal year if there is any indication of a change in the underlying estimates. Any necessary changes to the depreciation method and/or useful life are treated as changes to assumptions. Amortization of intangible assets with limited useful lives is recognized in the statement of comprehensive income under the expense category corresponding to the function of the intangible asset in the Company. The exception to this rule is amortization of acquired intangible assets resulting from a business combination, which are disclosed as a separate item in the statement of comprehensive income.

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

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

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

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

Investments in associated companies

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

Using the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The statement of comprehensive income includes the Company's portion of the success of the associated company.

Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and - where applicable - reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding in the associated company.

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

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if an annual impairment test is necessary, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less costs to sell and its value in use. The recoverable amount of each asset must be determined, unless an asset does not generate cash flows which are largely independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. In order to determine the value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less costs to sell. This is based on valuation multipliers, the share prices of listed companies or other available indicators for fair value.

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

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

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

Financial investments and other financial assets

Depending on the individual case, financial assets as defined by IAS 39 are classified either as financial assets held at fair value through profit or loss, as loans and receivables, as held-to-maturity financial investments or as available-for sale financial assets. Financial assets are carried at fair value on initial recognition. In the case of other financial investments than those held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also considered.

Financial assets are classified according to valuation categories at the moment of initial recognition. Where it is necessary and permissible, reclassifications are made at the end of a fiscal year. No reclassifications were made in the 2011 and 2010 fiscal years.

All standard market purchases and sales of financial assets are recognized on the transaction day. Standard market purchases and sales are purchases and sales of financial assets which prescribe the delivery of the assets within a period specified by market regulations or conventions.

Held-for-trading financial assets

The category of financial assets held at fair value through profit or loss includes held-for-trading financial assets and financial assets which are classified as financial assets held at fair value on initial recognition. As in the previous year, none of the Group’s financial assets were placed in this category as of December 31, 2011.

Loans and receivables

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

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or at least determinable payments and fixed maturities, which the Group intends and is able to hold until maturity. As in the previous year, the Group held no financial assets in this category as of December 31, 2011.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any of the three categories above. After initial recognition, available-for-sale financial assets are carried at fair value, whereby non-realized profits or losses less deferred taxes are recognized directly in equity (in the revaluation reserve). Should it come to the estimate of a lasting loss of value, the losses previously registered in the equity will be reclassified to the other financial result in the statement of comprehensive income.

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

On December 31, 2011, as on the previous year's balance sheet date, no financial instruments were classified as available-for-sale financial assets.

Fair value

The fair value of available-for-sale financial assets which are traded on organized markets is determined by the quoted market price on the balance sheet date.

Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

In the case of trade receivables, if there are objective indications for an impairment of the receivable (e.g. the probability of insolvency, significant financial difficulties of the debtor or age of the receivable), a suitable write-down is made on the basis of experience values. The recognized write-downs and receivables are eliminated in the period in which they are classified as uncollectible. The Company mainly bases impairment on due time bands: receivables which are overdue by more than 90 days are impaired by 25%, while receivables overdue by more than 120 days are impaired by 100%.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary costs up to the time of sale. The Company's inventories consist of domains purchased for resale purposes. The holding period of such domains depends on how attractive/marketable the respective domains are. A longer holding period indicates a less attractive/marketable domain. The reduced marketability of a domain is interpreted as a declining sales prospect, which reduces the recoverable net sales revenue as a result of higher costs up to the time of sale in conjunction with lower sales price expectations.

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

The write-downs over time are as follows:

	n	n+1	n+2	n+3	n+4	n+5	n+6	n+7
Carrying value	100 %	85,7 %	71,4 %	57,1 %	42,9 %	28,6 %	14,3 %	0 %
Write-down as ratio of carrying value		14,3 %	16,7 %	20 %	25 %	33,3 %	50 %	100 %

Above and beyond the write-downs, on the respective balance sheet date the Company tests the inventory of domains for the presence of signs of a sharper decline in the net disposal values than that indicated by the write-downs. To take this circumstance into account, the existing method for the marketability analysis was supplemented so that quadruple the sales revenues of the previous year (based on annualized figures) should cover the carrying values of the respective domain portfolios. For further information please refer to Note 17 "Inventories". Besides the marketability analysis, the Company also examines the recurring maintenance costs, the so-called registration costs, with the objective of reducing them.

Cash and cash equivalents

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

Financial liabilities

Interest-bearing loans

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

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

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

Financial liabilities carried at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss include held-for-trading financial liabilities and other financial liabilities classified on initial recognition as financial liabilities carried at fair value through profit or loss. As in the previous year, the Group held no financial liabilities carried at fair value through profit or loss as of December 31, 2011.

Trade payables

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

Derecognition of financial assets and financial liabilities

Financial assets

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

Financial liabilities

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

If an existing financial liability is replaced by a different financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying values is recognized in the statement of comprehensive income. Such an exchange or change did not occur in the 2011 and 2012 fiscal years.

Provisions

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

Employee stock ownership plans

The treatment of employee stock ownership plans is regulated in IFRS 2 ”Share-based Payment“. The respective balancing entry for personnel expenses of the Company’s employee stock ownership plans is made in additional paid-in capital, as the plans are carried as stock-based remuneration plans with settlement via equity instruments.

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

The current employee stock ownership plan, based on virtual stock options (so-called Stock Appreciation Rights or SARs), is such a stock-based remuneration plan with contractual choice. This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

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

The compensation cost for the Company's employee stock ownership plans granted to employees is calculated on the basis of option price models (generally binomial models).

Leasing

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

Taxes

Actual claims to income tax refunds and income tax due

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

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

Deferred taxes

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

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

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

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

Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of sales tax included.

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

2.5 Significant accounting judgments and estimates

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain accounting judgments, estimates and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the balance sheet date.

Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying values of the assets and liabilities concerned.

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

Impairment of non-financial assets

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

In order to estimate the recoverable amount (i.e. value in use or fair value) of the cash-generating unit or asset, management must estimate expected future cash flows and select a suitable discount rate to assess the present value of these cash flows. See Note 10 “Impairment of goodwill and intangible assets with unlimited useful lives” for further details.

Significant management assumptions with regard to determining the fair value of goodwill include assumptions concerning the development of sales, of margins and of the discounted interest rate.

Deferred tax assets

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

Share-based payments

The cost of share-based payments in the form of equity instruments as remuneration for the work of employees (see Note 28 “Employee stock ownership plans”) is measured using the fair value of these equity instruments at the moment they were granted. A suitable and recognized option pricing model is used to estimate their fair value. The calculation is based on assumptions regarding the expected option term, dividend yield and volatility. In accordance with the long-term nature of such remuneration agreements, such estimates are subject to considerable uncertainties. The assumed option maturities and dividend returns are based on historical data and estimations, and thus do not necessarily correspond to the actual future exercise behaviour of beneficiaries or actual achieved dividend returns. Expected volatility is based on historical volatility and the assumption that historical volatility is the best indicator of future development. Actual volatility can thus differ from assumptions. Virtual stock option programs also require an assumption on how claims from share-based payments are to be settled, which may not necessarily occur in this way at the time of settlement. The expenses to be recognized in future in the statement of comprehensive income, as calculated on the basis of the assumptions and estimations made, amount to € -300k as of December 31, 2011 (previous year: € 234k).

Impairment of financial assets

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the impairment volume with regard to expected payment behaviour and creditworthiness of customers are subject to significant uncertainties. As of the balance sheet date, adjustments of € 1,648k (previous year: € 1,856k) were made. For further details, please refer to Note 16 “Trade accounts receivable”.

Useful lives of tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to future technological developments. The classification of the useful life of an intangible asset as unlimited is an assumption based on available information and management expectations as of the balance sheet date and subject to uncertainties with regard to future developments.

Write-downs for inventories (domains)

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary costs up to the time of sale. As the holding period of the domains increases (> 12 months), the Company makes write-downs which increase over time. Both the size and distribution over time of such write-downs represents a best-possible estimation of net realizable value and is thus subject to uncertainties. The carrying values of inventories as of the balance sheet date amounted to € 2,120k (previous year: € 2,438k). For further details, please refer to Note 17 “Inventories”.

Accounting for business combinations

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

The carrying values of goodwill as of the balance sheet date amounted to € 72,153k (previous year: € 75,650k). The carrying values of intangible assets resulting from business combinations (excluding goodwill) amounted to € 899k as of the balance sheet date (previous year: € 1,015k).

Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. Further details are provided in Note 26 “Other accrued liabilities”.

3. Corporate transactions

2011 Fiscal Year

No transactions occurred in the 2011 fiscal year.

2010 Fiscal Year

Full consolidation of Intellectual Property Management Company Inc.

Sedo GmbH holds 49% of the shares in Intellectual Property Management Company Inc. („IPMC“) based in Dover, Delaware, USA. Until December 31, 2009 the company was shown in the balance as an associated company at equity. In addition, Sedo GmbH holds a purchase option for another 32% of the shares which has been exercisable since January 1, 2010. Already the possibility of exercising the option is, according to IAS 27 “Consolidated and Separate Financial Statements”, that the company as of the 2010 fiscal year is included in the consolidated accounts as a fully-consolidated company.

The total consideration was € 86k and was made up as follows:

Figures in €k	2010
Conditional purchase price payment	14
Termination of carrying value of at equity share	72
Total consideration	86

The acquired net assets amounted to € -155k. In this connection, no adjustment was made to the carrying values which had been applied at the time of the first consolidation. Taking into consideration the minority interest shares of € 79k, the full consolidation led to goodwill of € 162k. On the basis of planning data of the Company, at the end of the year 2010 there was an impairment need, so that the goodwill in fiscal year 2010 was completely written-down.

Acquisition of further shares in DomainsBot S.r.l.

On August 11, 2010, Sedo GmbH acquired a further 9% of the shares in DomainsBot S.r.l., Rome, Italy. The purchase price was € 67,200. As a result, Sedo GmbH now holds 49% of the shares. The company will continue to be included in the consolidated financial statements as an associated company according to the equity method.

In addition, in the 2010 fiscal year, DomainsBot Inc., San Francisco/California, USA, a 100% subsidiary of DomainsBot S.r.l., was founded. The company will also be included in the consolidated financial statements as an associated company according to the equity method.

Notes on the Statement of Comprehensive Income

4. Cost of sales

Figures in €k	2011	2010
Direct product costs	88,057	80,082
Impairment of inventories	343	3,383
Personnel expenses	6,535	6,093
Depreciation and amortization	236	230
Other costs	1,955	1,429
	97,126	91,217

Direct product costs consist mainly of payments to domain owners and affiliates. Cost of sales increased in line with the rise in sales revenues. Relative to sales the expenditure quota was reduced slightly from 78.6% to 78.0%. For an explanation of impairments to inventories reference is made to Note 17 “Inventories”.

5. Selling expenses

Figures in €k	**2011**	**2010**
Personnel expenses	8,497	7,949
Depreciation and amortization	332	360
Other costs	3,944	3,393
	12,773	11,702

The selling expenses consist of direct selling expenses and selling overhaeds. On principle, they include all personnel, material and depreciation expenses as well as other expenditure of the sales area. The selling expenses have increased due to the strengthening of the sales area compared with the previous year. The expenditure quota in comparison with sales was 10.3% (previous year: 10.1%).

6. General and administrative expenses

Figures in €k	**2011**	**2010**
Personnel expenses	3,738	4,296
Depreciation and amortization	363	410
Other costs	3,871	4,213
	7,972	8,919

The general and administrative expenses include the personnel and material costs of the central administration area which are not associated with product management, product development, purchase of services or sales. The general and administrative expenses declined sharply compared to the previous year; the expenditure quota in comparison with sales was 6.4% (previous year: 7.7%). The reason for this was reduced personnel expenditure, largely resulting from a one-off sum resulting from the derecognition of expired SARs due to the employees concerned leaving the Sedo Holding Group. In addition, the other costs were reduced.

7. Other operating expenses

Figures in €k	2011	2010
Currency losses	5,040	3,603
Accounts receivable losses and new allowances for trade receivables	546	470
Other	355	328
	5,941	4,401

Other operating expenses increased by € 1.5 million compared to the previous year. This was mainly due to higher currency losses.

8. Other operating income

Figures in €k	2011	2010
Currency gains	5,030	3,508
Reversal of allowances for trade receivables	365	518
Other	259	227
	5,654	4,253

Other operating income increased by € 1.4 million compared with the previous year. This resulted largely from higher currency gains.

9. Amortization of capitalized intangible assets resulting from business combinations

Amortization of individual assets was as follows:

Figures in €k	**2011**	**2010**
Customer base	112	824
Internet platform	-	94
Software	-	80
Trademarks	9	54
	121	1.052

The reason for the decline is the scheduled expiry of the amortization of capitalized intangible assets resulting from three acquisitions. Amortization of capitalized intangible assets resulting from business combinations is disclosed separately in the statement of comprehensive income. There is no assignment to individual functional divisions.

10. Impairment of goodwill and intangible assets with non-definable useful lives

Goodwill

Goodwill is to be subjected to an impairment test at least once a year. As in the previous year, a scheduled review was conducted on the balance sheet date. The review was made on the level of the cash-generating units to which goodwill has been assigned. The Group has defined four cash-generating units in total. In Affiliate Marketing these correspond to the respective subsidiaries of Sedo Holding AG. In Domain Marketing, on the one hand, the entire Sedo sub-group, on the other IPMC which, as a fully-consolidated company, has been included in the consolidated financial statement since January 1, 2010, are defined as cash-generating units.

	Carrying value as of January 1, 2010	Additions	Impair-ments	Differences from currency translation	**Carrying value as of December 31, 2010**	Additions	Impair-ments	Differences from currency translation	**Carrying value as of December 31, 2011**
Affiliate-Marketing	**18,571**	**-**	**-**	**-**	**18,571**	**-**	**-3,500**	-	**15,071**
affilinet Germany	11,917	-	-	-	11,917	-	-	-	11,917
affilinet France	6,654	-	-	-	6,654	-	-3,500	-	3,154
Domain-Marketing	**57,072**	**162**	**-162**	**7**	**57,079**	**-**	**-**	3	**57,082**
Sedo sub-group	57,072	-	-	7	57,079	-	-	3	57,082
IPMC	-	162	-162	-	-	-	-	-	-
Total goodwill	**75,643**	**162**	**-162**	**7**	**75,650**	**-**	**-3,500**	3	**72,153**

For the purposes of testing the recoverability of the goodwill, the recoverable amount of the cash-generating units was determined on the basis of the calculation of a utilization value making use of cash flow forecasts. The determination of the value in use is based on the planning for the fiscal year 2012 - 2014 for the respective cash generating unit which has been approved by the management, as well as a management assessment for the following fiscal year 2015. Cash flows occurring following the planning period of four years are extrapolated with the application of growth rate of 1.0% (previous year: 1.5%).

The determination of the utilization value was made on the basis of a discounted cash flow assessment. The discount rate before tax used for cash flow forecasts varies according to the cash generating unit in a range between 10% and 13% (previous year 12%). The calculation of the discount rate takes into account the specific circumstances of the Group and is based on its average weighted capital costs (WACC). The average weighted capital costs take into account both the external and the equity capital. The company-specifi c risk is taken into consideration through the application of individual beta factors which are determined annually on the basis of the publicly accessible market data.

The values flowing into the planning are based on numerous assumptions, so that the determination of the value in use is dependent on these assumptions (see also Note 2.5 “Significant accounting judgments and estimates”). The most important parameters are shown in the following table.

Main assumptions		**2012 – 2015**	**>2015**
Sales growth	affilinet Germany	10.0 – 20.2	1.0
(in %)	affilinet France	8.0 – 21.7	1.0
	Sedo sub-group	5.9 – 10.3	1.0
Profit margin growth	affilinet Germany	-1.8 – 0.2	-
(in percentage points)	affilinet France	-2.0 – 0.4	-
	Sedo sub-group	0.4 – 3.3	-
Discount rate before taxes in %)	affilinet Germany	12.02	
	affilinet France	10.28	
	Sedo sub-group	12.61	

Main assumptions previous year		**2011 – 2014**	**>2014**
Sales growth	affilinet Germany	10.0 – 17.6	1.5
(in %)	affilinet France	10.0 – 19.3	1.5
	Sedo sub-group	-1.0 – 4.4	1.5
Profit margin growth	affilinet Germany	-0.5 – 0.0	-
(in percentage points)	affilinet France	-1.8 – 0.0	-
	Sedo sub-group	0.4 – 8.9	-
Discount rate before taxes	affilinet Germany	11.82	
(in %)	affilinet France	11.80	
	Sedo sub-group	12.35	

Within the context of the scheduled impairment test on the goodwill as of the balance sheet date, in the period under review impairments of € 3,500k were established in the goodwill of affilinet France; in the previous year there had been an impairment of € 162k in the goodwill of IPMC. For the other goodwill, as in the previous year, no impairment was established. While the French Affiliate Marketing market has again grown in 2011, affilinet France was unable to participate in the growth; on the contrary, it lost market share. While affilinet continues to achieve very good growth rates in all other European markets, this has proved impossible up to now in France. Clear measures were taken in order to counter the difficulties in 2011. The Company expects that in future it will again grow clearly in France, however, reflecting the previous problems, a conservative plan has been formulated. The carrying value of cash-generating unit affilinet France thus exceeds the recoverable amount, leading to an impairment loss of € 3,500k.

Sensitivity of the assumptions made

The management is of the opinion that, on the basis of reasonable estimates, currently no change is foreseeable to one of the basic assumptions made for the determination of the utility value of the cash-generating unit “affilinet Germany” which could lead to the carrying value of the cash-generating unit exceeding its recoverable amount. An impairment need was stated at the means of cash generating unit "affilinet France". If a negative change of one of the met essential assumptions should adapt, this would lead to a further decrease in value effort. The recoverable amount exceeds the book value at the means of cash generating unit of " Sedo sub-group" only insignificantly so that a negative change of one of the met essential assumptions could lead to an impairment loss. If the growth rates of the years 2012 to 2015 based on the impairment test of “Sedo sub-group” had been lower by 1,5 %, this would have been the reason that the surplus of the recoverable amount would have gone down to zero about the book value. A reduction of the gross margins of the years 2012 to 2015 based on the impairment test of “Sedo sub-group” by 2.5 percentage points would have the same effect.

Trademark rights

For the trademark rights with non-definable useful lives, no separate impairment test was carried out in the 2011 fiscal year, since this is part of the impairment test of the goodwill. In the previous year, the "royalty relief" method was applied for the examination of the carrying values. For this purpose, the forecasted sales from the goodwill impairment tests were used as a base with the assumptions made there. The licence fee was estimated at 4%. The Tax Amortization Benefit factor was calculated based on the unit, , to which the trademark right is assigned. The assets specific discount rate amounted to 8.75%. The test did not reveal any impairment.

At the end of the 2011 fiscal year, the Company has decided to discontinue the use of the trademark right GreatDomains®. Up to now, predominantly high-priced domain auctions were handled under the GreatDomains® brand; in the meantime, the brand has been replaced by Sedo®. Furthermore, the strategic focus no longer lies on auctions. Therefore, the management has decided to charge out the carrying value of the GreatDomains® trademark to expenses at the end of the fiscal year 2011.

The carrying values of the intangible assets classified with non-definable useful lives developed in the period under report as follows:

In €k	Carrying value as of 01.01.2010	Currency translation differences	Carrying value as of 31.12.2010	Currency translation differences	Derecog-nition	Carrying value as of 31.12.2011
affilinet®	433	n/a	433	n/a	-	433
Sedo®	179	n/a	179	n/a	-	179
GreatDomains®	86	-33	53	-7	-46	-
	698	-33	665	-7	-46	612

11. Financial Result

Figures in €k	2011	2010
Interest expenses from overdraft facilities and other interest expenses	-82	-258
Interest expense	**-82**	**-258**
Interest income from credit balances with banks and other interest income	96	48
Interest income from loans receivable	290	507
Interest income from affiliated companies	91	-
Interest income	**477**	**555**
Interest result	**395**	**297**

The interest charges essentially consist of loan commitment fees as well as interest resulting from the short-term use of credit lines as well as overdraft facilities as well as interest on tax payments resulting from government audits.

The interest income from loan receivables results from the vendor loan granted to Hi-media S.A. which was repaid as scheduled in the second quarter of 2011. The interest income from affiliated companies results from the short-term investment of surplus liquidity at United Internet AG.

12. Shares and result of associated companies

Figures in €k	2011	2010
Carrying value at the beginning of the fiscal year	956	899
Additions	-	67
Disposals	-	-72
Payment of dividends	-34	-
Earnings contribution	77	62
Carrying value at the end of the fiscal year	999	956

The additions in the 2010 fiscal year concern the acquisition of a further 9% of the shares of DomainsBot, as a result of which Sedo GmbH now holds 49% of the shares. The disposals concern the carrying value of IPMC which has been included in the consolidated financial statements as a fully-consolidated company since the 2010 fiscal year. For further information we refer to Note 3 “Corporate transactions”.

The result of the associated companies is made up as follows.

Figures in €k	Share	**2011**	**2010**
DomainsBot	49 % (until 10.8.2010 40 %)	77	62
At-equity result		77	62

The following table contains summarized financial information about the associated companies.

Figures in €k	**31.12.2011**	**31.12.2010**
Balance sheet figures (pro rata acc. to shareholding)		
Current assets	424	423
Non-current assets	72	61
Current liabilities	187	119
Non-current liabilities	-	-
Equity	309	365
Statement of comprehensive income (pro rata acc. to shareholding)		
Sales revenue	351	379
Net result	77	62

13. Income taxes and deferred taxes

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

Figures in €k	**2011**	**2010**
Income taxes for earlier periods	-46	47
Income taxes for the current period	-3,242	-3,388
Change in deferred tax liabilities	54	357
Change in deferred tax assets	-978	770
	-4,212	-2,214

Under German tax law, income taxes comprise corporate income tax and trade earnings tax together with the solidarity surcharge. The corporation tax rate amounts to 15.0% since January 1, 2008 (plus a solidarity surcharge of 5.5%).

German trade tax on income is levied on a company's taxable income adjusted for certain income items which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The average trade tax burden before additional expenses of the German companies is 16.8% (previous year: 16.3%).

The Group tax rate of 32.6% (previous year: 32.1%) for the current fiscal year results from the currently valid corporate tax rate, including solidarity surcharge and the trade tax burden.

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

Figures in €k	**2011**	**2010**
Result before tax from continued operations	3,169	3,255
Tax rate	32.6 %	32.1 %
Anticipated income tax expense	-1,033	-1,045
Goodwill amortization non-deductible for tax purposes	-1,141	-52
Recognized impairments on deferred tax assets on loss carryforwards	-720	-
Non-recognition of deferred tax assets on loss carryforwards of the reporting period	-898	-497
Differences in the tax rates between Sedo Holding AG and the subsidiaries	-177	-272
Income, expenses and other effects non-deductible for tax purposes	-204	-392
Deviation due to the measurement basis for trade tax	-18	-23
Non-taxable at-equity results	25	20
Actual taxes relating to other periods	-46	47
Actual income tax expense	-4,212	-2,214

In the previous year there was tax expense of € 500k from discontinued operations, resulting from the derecognition of a liability and the adjustment of a provision.

In fiscal years 2011 and 2010 there were no reversals from temporary differences due to matters which did not lead to the carrying of deferred tax assets or liabilities in the past.

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

Figures in €k	**31.12.2011**	**31.12.2010**
Deferred tax assets due to		
- tax loss carry-forwards	-	353
- differing carrying amounts and consolidation adjustment	1,004	1,610
Total deferred tax asset	1,004	1,963
Deferred tax liabilities due to		
- differing carrying amounts and consolidation adjustments	287	340
Total deferred tax liabilities	287	340

Deferred tax assets

As at December 31, 2011, deferred tax assets totalling € 1.0 million (2010: € 2.0 million) were recognized by certain Group companies, which resulted solely from actual unused tax losses and an overlapping of deferred tax assets. The realizability of these deferred tax assets depends on the positive taxable income of the underlying planning.

In the 2011 fiscal year, as in the previous year, no recourse was made to tax loss carry-forwards. The total amount of non-capitalized deferred tax assets for loss carry-forwards amounts to € 1.9 million (previous year: € 1.6 million), the total amount of capitalized deferred tax assets for loss carry-forwards is € 0.0 million (previous year: € 0.4 million), after the Company had adjusted the deferred tax assets on loss carry-forwards of affilinet France SAS in the 2011 fiscal year.

The change in deferred tax assets was as follows:

Figures in €k	2011	2010
Carrying value at beginning of the fiscal year	1,963	926
New recognition	488	1,431
Utilization	727	394
Impairment	720	-
Carrying value at end of the fiscal year	1,004	1,963

As of the balance sheet date, there were only loss carry-forwards of Response Republic Beteiligungsgesellschaft Deutschland GmbH amounting to € 3.6 million (previous year: € 3.6 million), which cannot be used due to the existing profit transfer agreement with Sedo Holding AG. In addition, there were loss carry-forwards at affilinet Ltd., as well as affilinet France SAS.

Deferred tax liabilities

Deferred tax liabilities of € 287k (previous year: € 340k) result from the different treatment of capitalized intangible assets from business combinations according to IFRS and in the tax balance sheet. The change compared to the previous year, results from reversals according to amortization recognized in the period under review.

14. Earnings per share

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

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

On December 31, 2011, capital stock was divided into 30,455,890 registered no-par value shares having a theoretical share in the capital stock of € 1.00 (previous year: 30,455,890). As in the previous year, the Company held no treasury shares as of December 31, 2011. The weighted average number of shares used for the calculation amounted to 30,455,890 (previous year: 30,455,890) for the 2011 fiscal year. Based on this number of units results in undiluted earnings per share of € -0.03 (previous year: € 0.08).

Conversion rights must only be taken into consideration if there is a possible dilutive effect. All conversion rights existing on December 31, 2011 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the conversion rights were in money and irrespective of whether the conversion rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration. As of December 31, 2011, no conversion rights were exercisable. Although the conversion rights as at December 31, 2010 were in the money, there were no dilutive effects, as the Company would have been in a position to completely serve the holders of conversion rights with the potential new shares through the acquisition of treasury shares. Thus the undiluted earnings per share was € -0.03 (previous year: € 0.08) corresponded with the diluted earnings per share. In the case of a negative result, a dilutive effect does not need to be considered as the higher number of shares would result in an improvement of earnings per share.

Notes on the Balance Sheet

15. Cash and cash equivalents

Figures in €k	31.12.2011	31.12.2010
Cash and cash equivalents	21,068	6,316

Cash and cash equivalents generally have variable interest rates for call money accounts.

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

16. Trade accounts receivable

Figures in €k	31.12.2011	31.12.2010
Trade accounts receivable from third parties	15,034	16,427
Allowances	- 1,648	-1,856
Trade accounts receivable, net	13,386	14,571
Receivables from affiliated companies	69	52
Total trade accounts receivable, net	13,455	14,623

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

Figures in €k	2011	2010
Allowances at the beginning of the fiscal year	1,856	2,000
Utilization	-	-235
Reversals	-365	-518
Additions	177	614
Effects of exchange rate changes	-20	-5
Allowances at the end of the fiscal year	1,648	1,856

The expense for the net balance from additions and reversals of allowances, amounts to € 164k in the 2011 fiscal year (previous year: € 96k), of which € 0 (previous year: € 173k) is attributable to discontinued operations. All income and expenses from allowances and elimination of trade accounts receivable during the year are disclosed in the statement of comprehensive income under “Other operating income and expenses”.

The age structure of the non-impaired trade accounts receivable as of the balance sheet date is as follows:

Figures in €k	Trade accounts receivable from third parties as of December 31		Trade accounts receivable from affiliated companies as of December 31	
	2011	2010	2011	2010
Neither impaired nor overdue as of the balance sheet date	8,819	9,438	69	51
Not impaired as of the balance sheet date and overdue in the following time periods				
less than 30 days	2,222	2,203	0	0
between 31 and 60 days	1,723	1,507	0	1
between 61 and 90 days	507	895	0	0
between 91 and 120 days	-	-	0	0
more than 120 days	-	-	0	0
Total	4,452	4,605	0	0
Individually adjusted receivables (net)	115	528	0	0
Carrying value (net)	13,386	14,571	69	52

17. Inventories

Inventories amounting to € 2,120K (previous year: € 2,438k) consist exclusively of a tradable portfolio of acquired domains, classified as available for sale. The amount included as cost of sales in the reporting period amounted to € 1,402k (previous year: € 4,562k). This consists of registration costs as well as use of goods for sold domains of € 1,084k (previous year: € 1,179k) as well as € 343k (previous year: € 3,383k) for recorded impairments of the domain inventories. At the end of the year 2010, the estimates and assumptions with respect to the marketability depreciations for the domains were checked and, thereby, an increased impairment need was established which led to an unscheduled impairment amounting to € 2,746k.

18. Other non-financial assets

Figures in €k	**31.12.2011**	**31.12.2010**
Registration fees for domains	115	310
Rent and associated cost	91	20
IT and phone costs (software/rent)	164	44
Insurance	87	-
Other prepaid services	71	188
	528	562

19. Other financial assets (short-term)

Figures in €k	**31.12.2011**	**31.12.2010**
Vendor loan	-	12,195
Accounts receivable from the tax office for income taxes	212	1,122
Accounts receivable from the tax office for other taxes	109	478
Security deposits	65	103
Accounts receivable from employees	6	6
Contractually agreed cost reimbursement	75	-
Accrued interest receivable vendor loan	-	277
Other	86	140
	553	14,321

The decline in the other current financial assets results largely from the scheduled repayment of the vendor loan of € 12,195k which was granted in connection with the sale of the Display Marketing business to Hi-media (also see Note 3 “Corporate Transactions”). In addition the claim against the tax office was reduced by € 1,279k.

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

20. Property, plant and equipment

Capital expenditures for the expansion and modernization of office infrastructure and the server park, as well as for investments in rented property, office furniture and vehicles, which mainly affected the Affiliate Marketing segment, amounted to € 517k in the period under review (previous year: € 593k).

The development of carrying values in the fiscal years 2011 and 2010 is shown in the exhibit to the notes of the consolidated financial statements (development of fixed assets).

21. Intangible assets

An amount of € 192k (previous year: € 23k) was invested in intangible assets in the 2011 fiscal year. The additions largely concern the purchase of standard software. In addition, advance payments of €409k were made for intangible assets for IT investments within the scope of the implementation of the affilinet strategy decided on in 2010.

The development of carrying values in the fiscal years 2011 and 2010 is shown in the exhibit to the notes of the consolidated financial statements (development of fixed assets).

The scheduled depreciation of property, plant and equipment as well as amortization of intangible asets will be assigned in the Statement of Comprehensive Income in the following function costs

Figures in €k

			2011			**2010**
	Intangible assets	Tangible assets	**Total scheduled depreciation and amortization**	Intangible assets	Tangible assets	**Total scheduled depreciation and amortization**
Cost of sales	64	161	**225**	46	179	**225**
Selling expenses	109	196	**305**	156	209	**365**
General and administrative expenses	203	151	**354**	228	181	**409**
PPA amortization *	121	-	**121**	1,052	-	**1,052**
	497	508	**1,005**	1,482	569	**2,051**

* Amortization of capitalized intangible assets resulting from business combinations

In addition, an impairment expense of € 46k was booked on the GreatDomains® trademark. For further information we make reference to Note 10 “Impairment of goodwill and intangible assets with an indeterminable period of utilization”.

22. Trade accounts payable

Trade accounts payable amounting to € 18,153k (previous year: € 17,888k) are owed to independent third parties with terms of less than one year.

23. Liabilities due to affiliated companies

Figures in €k	**31.12.2011**	**31.12.2010**
Accounts payable	100	250
	100	250

24. Liabilities due to banks

a) Liabilities to banks

There were no liabilities towards credit institutions as of December 31, 2011 and 2010. After the Group completely reduced its finance indebtedness in 2010, up to mid-June there was only short-term use of credit lines to cover peaks. Following the scheduled repayment of the vendor loan granted to Hi-media S.A. of € 12,195k in the second quarter of 2011, no further use was made of credit lines.

b) Credit lines

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

The Sedo Holding Group has the following credit lines with a total of two banks, as in the previous year:

Figures in € million	**31.12.2011**	**31.12.2010**
Available credit lines and overdraft facilities	0.5	17.0
Utilization as of balance sheet date	0.0	0.0
Unutilized credit lines as of the balance sheet date	0.5	17.0
Guarantees	0.3	0.5
Utilization as of balance sheet date	0.3	0.2
Unutilized guarantees as of the balance sheet date	0.0	0.3

The credit lines as well as the guarantee framework are for an indefinite period until further notice. Due to the Company's adequate liquidity position the existing loan facility of € 15 million, as well as the guarantee arrangement were reduced as of January 21, 2011, at the request of the Company. A new guarantee facility of € 300k was agreed on. In addition, at the Company's wish, one credit line was reduced from € 2.0 million to € 0.5 million.

25. Tax provisions

The tax provisions declined by € 2.5 million, which was largely due to income tax payments for the years 2008 to 2010. The tax provisions are divided up between the following countries:

Figures in €k	**31.12.2011**	**31.12.2010**
Germany	189	2,702
Spain	8	8
USA	19	-
	216	2,710

26. Other provisions

Other provisions of € 334k as of the balance sheet date (previous year: € 336k) refer to litigation risks from pending legal disputes in France (see also Note 34 "Other financial commitments and contingencies"), as well as a provision of € 698k (previous year: € 700k) for losses from current contracts.

Figures in €k	**2011**	**2010**
At the beginning of the fiscal year	1,036	2,167
Utilization	260	351
Reversal	41	917
Addition	297	137
At the end of the fiscal year	1,032	1,036

27. Other current liabilities

Figures in €k	**31.12.2011**	**31.12.2010**
Liabilities to the tax office (sales tax, wage tax etc.)	794	1,153
Personnel expenses (holidays, bonuses etc.)	974	1,074
Social Security	163	255
Consultation (auditing fees, legal advice etc.)	339	504
Annual Shareholders' Meeting, Annual Report, Supervisory Board remuneration	115	135
Rent and associated costs	87	105
Others	716	1,091
	3,188	4,317

The other current liabilities have declined by € 1,129k. Essentially the decline resulted from the lower liabilities towards the tax authorities.

28. Employee stock ownership plans

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

In the past there was a further stock ownership plan based on the issue of convertible bonds, and based on the existing conditional capital 2004 of Sedo Holding AG. The last issue from this plan was in 2005.

On the basis of the existing employee stock-option plans, a total amount of € 300k (previous year: expenses of € 234k) was accounted in the 2011 fiscal year as income. The income resulted from the elimination of expired SARs due to the employees concerned leaving the Sedo Holding Group. The reduction in the additional paid-in capital resulting from this procedure was analogously € 300k (previous year: € 234k increase).

Virtual stock options

With a resolution adopted on August 1, 2007, the Management Board of Sedo Holding AG implemented a new employee stock ownership program.

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

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

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

In the 2011 fiscal year no new SARs were issued.

Issues 2010

With a resolution of the Management Board on March 22, 2010 and approval of the Supervisory Board, a tranche was issued to a senior manager of the Sedo Holding Group. The resolution comprises a volume of 40,000 virtual stock options at an issuance price of € 4.21 (Tranche I).

Issues 2009

With a resolution of the Management Board on March 25, 2009 and approval of the Supervisory Board, a tranche was issued to a senior manager of the Sedo Holding Group. The resolution comprises a volume of 30,000 virtual stock options at an issuance price of € 3.72 (Tranche F). All the SAR's issued in this tranche, or the option rights associated with them, expired when the employee left the Sedo Holding Group in the 2011 fiscal year.

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued tranche comprises a volume of 100,000 units at an issuance price of € 3.72 (Tranche G). All the SAR's issued in this tranche, or the option rights associated with them, expired when Mr. Janssen left the Sedo Holding Group as of June 30, 2011.

With a resolution of the Management Board of May 25, 2009 and approval of the Supervisory Board, a tranche was issued to two senior managers of the Sedo Holding Group. The issue comprises 70,000 virtual stock options at an issuance price of € 4.32 (Tranche H). 30,000 units have already expired due to the departure in 2009 of an option beneficiary; the remaining 40,000 units expired when the second employee left the Sedo Holding Group in the 2011 fiscal year.

Issues 2008

With a resolution of February 22, 2008 and approval of the Supervisory Board on February 26, 2008, a tranche was approved for issue to senior managers of the Sedo Holding Group. The resolution comprises a volume of up to 60,000 virtual stock options at an issuance price of € 18.15 (Tranche C). 30,000 SARs and the respective option rights expired in 2009 due to the departure from the Sedo Holding Group of the employees concerned, the remaining 30,000 SARs expired in 2011.

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

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

Issues 2007
There were two issues in 2007 as part of the employee stock ownership plan. With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, one issue comprised a volume of 230,000 virtual stock options at an issuance price of € 15.51 (Tranche A). 180,000 SARs and the respective option rights have expired due to the departure from the Sedo Holding Group of the employees concerned (of which 70,000 in 2008 and 90,000 in 2009 and 20,000 in 2010).

With a resolution of November 28, 2007 and approval of the Supervisory Board, a tranche B was issued to the Management Board member Andreas Janssen. The tranche B issued comprises a volume of 200,000 SARs at an issuance price of € 17.41. All the SARs issued in this tranche, or the option rights associated with them, expired when Mr. Janssen left the Sedo Holding Group as of June 30, 2011.

Summary of changes in the virtual stock option plans

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

	Number of SARs	**Average exercise price**
Outstanding on December 31, 2009	470,000	€ 12.27
Issue	40,000	€ 4.21
of which Tranche I	40,000	€ 4.21
Expiry	20,000	€ 15.51
of which Tranche A	20,000	€ 15.51
Outstanding on December 31, 2010	490,000	€ 11.48
Expiry	400,000	€ 11.71

of which Tranche B	200,000	€ 17.41
of which Tranche C	30,000	€ 18.15
of which Tranche F	30,000	€ 3.72
of which Tranche G	100,000	€ 3.72
of which Tranche H	40,000	€ 4.32
Outstanding on December 31, 2011	90,000	€ 10.49

		Of which available for conversion on 31.12.2011	**2010**	**Of which available for conversion on 31.12.2010**
of which Tranche A	50,000	-	50,000	-
of which Tranche B	-	-	200,000	-
of which Tranche C	-	-	30,000	-
of which Tranche F	-	-	30,000	-
of which Tranche G	-	-	100,000	-
of which Tranche H	-	-	40,000	-
of which Tranche I	40,000	-	40,000	-
Mean weighted residual term (months)	34		43	

As of the balance sheet date, as in the previous year, no SARs were available for conversion, as the strike price of the tranches was above the share price on the balance sheet date, or in the case of Tranches F and G, the strike price was below the share price as of the previous year's balance sheet date, for which the first conversion date of 24 months after their issue had not yet been reached on the balance sheet date. The average weighted residual term of the remaining SARs as of December 31, 2011 was 34 (previous year: 43).

Valuation of the virtual share options

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

Tranche	Issue date	Volumes	Exercise price	Expected dividend yields	Expected volatility	Expected term	Risk-free interest	Fair value on issuance	Fair value per SAR (arithm. average)
A	Sep 30, 2007	230,000	€ 15.51	0 %	52.00%	5 years	4.01%	€ 863,075	€ 3.75
B	Nov 28, 2007	200,000	€ 17.41	0 %	55.00%	5 years	3.86%	€ 722,500	€ 3.61
C	Feb 22, 2008	60,000	€ 18.15	0 %	39.62%	5 years	3.61%	€ 231,300	€ 3.86
D	Mar 6, 2008	200,000	€ 18.60	0 %	38.53%	5 years	3.51%	€ 870,000	€ 4.35
E	Oct 30, 2008	7,200	€ 7.43	0 %	53.24%	5 years	3.24%	€ 11,880	€ 1.65
F	Mar 25, 2009	30,000	€ 3.72	0 %	72.91%	5 years	2.61%	€ 18,450	€ 0.62
G	Mar 30, 2009	100,000	€ 3.72	0 %	72.91%	5 years	2.47%	€ 61,500	€ 0.62
H	May 25, 2009	70,000	€ 4.32	0 %	77.96%	5 years	2.81%	€ 53,550	€ 0.77
I	Mar 22, 2010	40,000	€ 4.21	0 %	41.32%	5 years	1.74%	€ 25,800	€ 0.65

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

Figures in €k	**2011**	**2010**
Tranche A	-24	36
Tranche B	-217	130
Tranche C	-32	25
Tranche F	-5	6
Tranche G	-18	21
Tranche H	-12	10
Tranche I	8	6
	-300	234

The yield shown in the 2011 fiscal year results from the derecognition of expired SARs due to the employees in question having left the Sedo Holding Group.

Convertible bonds

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

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 17, 2004, convertible bonds (Tranches 5 and 6) were issued to employees of the Company and of subsidiaries of the Company, as well as to members of the Company's Management Board and executive body members of subsidiaries of the Company.

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

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds. A further 25% of the convertible bonds can be converted after 36 months; further 25% after 48 month and the remaining 25% after 60 months, so that the full amount of 100% may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

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

Figures in €k	**Number of options**	**Average exercise price**
Outstanding on December 31, 2009	40,630	3.60
of which 6th Tranche	40,630	3.60
Return/expiry	35,000	3.60
Outstanding on December 31, 2010	5,630	3.60
Return/expiry	5,630	3.60
Outstanding on December 31, 2011	-	-

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

As in the previous year, no conversion rights were exercised in the period under review. As of December 31, 2011 no conversion rights were outstanding.

29. Equity

Capital stock

The capital stock remained unchanged in the 2011 fiscal year and amounts to € 30.455.890. On the balance sheet date, capital stock amounted to 30.455.890 registered shares each having a theoretical share in the capital stock of € 1. All shares are fully issued and paid-in.

As of December 31, 2011, or 2010 respectively, the capital stock was held as follows:

	31.12.2011		**31.12.2010**	
	€k	**%**	**€k**	**%**
United Internet AG	23,998	78.79	23,998	78.79
Tim Schumacher	1,658	5.45	1,658	5.45
Free float	4,391	14.42	4,391	14.42
Supervisory Board	409	1.34	409	1.34
	30,456	100.00	30,456	100.00

Authorized capital

The authorized capital of Sedo Holding AG as of the balance sheet date was as follows:

Figures in €k	**31.12.2011**	**31.12.2010**
Authorized capital 2010; to May 18, 2015	15,200	15,200

Authorized capital 2010

With a resolution of the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized to increase capital stock by up to € 15.200.000 (Authorized capital 2010).

The Management Board was authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before May 18, 2015 by a total of € 15.200.000 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:

- if the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation; or
- 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
- 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.

In the year under report no recourse was made to the authorized capital, so that the authorized capital amounted to € 15,200,000 on the balance sheet date.

Conditional capital

The conditional capital of Sedo Holding AG as of the balance sheet date is as follows:

Figures in €k	**31.12.2011**	**31.12.2010**
Conditional capital		
2004 (Convertible bonds)	1,044	1,044
2010 (Options or convertible bonds); to May 18, 2015	14,100	14,100

Conditional capital 2004

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

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

In the past fiscal year the convertible bonds due were repaid (€ 1k); as in the previous year there were no conversions of convertible bonds. As a result, as of the balance sheet date, no convertible bonds were held.

Conditional capital 2010

At the Annual Shareholders' Meeting on May 19, 2010 a conditional increase of capital of € 14.1 million was decided on, divided into 14,100,000 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 19, 2010 authorized the Company or a subordinated Group company to issue until May 18, 2015, 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 19, 2010, the Management Board is authorized pursuant to Section 71 (1) No. 8 AktG to acquire treasury shares not exceeding 10% of its capital stock for a period of five years until May 19, 2015. The price paid for acquisition of these shares may not be more than 10% above or below the stock market price. Treasury shares can be used for all purposes named at the Annual Shareholders' Meeting of May 19, 2010. As of the balance sheet date, the Company held no treasury shares. The authorization replaces the resolution of the Annual Shareholders' Meeting of May 25, 2009. No treasury shares were acquired during fiscal years 2011 and 2010 on the basis of this authorization.

Reserves

<u>Additional paid-in capital</u>

The additional paid-in capital includes the surcharges from the issue of shares, less the transaction costs directly attributable to capital acquisition. The additional paid-in capital also contains the amounts of the reserves legally required in accordance with Section 150 (1) AktG. Furthermore, it contains the bookings from the accounting of the employee stock ownership programs. With regard to the use of the additional paid-in capital, the regulations of Section 150 (3) and (4) AktG apply. On December 31, 2010, in accordance with Section 150, (4) No. 2 AktG, € 35.898k was taken from the additional paid-in capital, in order to compensate for the accumulated loss brought forward from the previous year less the annual net income of the reporting year of Sedo Holding AG (parent company financial statement acc. to HGB).

Figures in €k	2011	2010
Additional paid-in capital at the beginning of the fiscal year	38,769	74,433
Addition from stock-option plans	-300	234
Withdrawals from additional paid-in capital	-	-35,898
Additional paid-in capital at the end of the fiscal year	38,469	38,769

Accumulated profit

On the one hand, these contain the item "Accumulated profit" which includes the results registered in the past by the companies included in the consolidated financial statements insofar as far as they are not distributed. In addition, the position "Currency translation items" is included. In this, the differences arising from the currency translation of the financial statements of foreign subsidiaries not affecting net income are included. A detailed summary of the composition and changes in the additional paid-in capital in the 2011 and 2010 fiscal years is presented in the development of equity capital.

Non-controlling interests

The non-controlling interests refer to the minority interests in the consolidated equity capital of Intellectual Property Management Company Inc. with registered office in Dover, Delaware, USA, and amounted to € -202k as of December 31, 2010 (previous year: € -240k).

30. Additional details on financial instruments

The tables on the following page show the valuation categories and classes of financial assets and liabilities according to valuation categories and classes.

		Valuation acc. to IAS 39			
December 31, 2011 **Figures in €k**	Valuation category acc. to IAS 39	Carrying value on 31.12.2011	Amortised acquisition cost	Fair value not affecting net income	Fair value on 31.12.2011
Assets					
Cash and cash equivalents	lar	21,068	21,068	-	21,068
Trade accounts receivable	lar	13,386	13,386	-	13,386
Accounts receivable from affiliated companies	lar	69	69	-	69
Other current financial assets	lar	553	553	-	553
Liabilities					
Trade accounts payable	flac	18,153	18,153	-	18,153
Accounts payable to affiliated companies	flac	100	100	-	100
Other current financial liabilities	flac	4,220	4,220	-	4,220
Of which aggregated acc. to valuation categories in acc. with IAS 39:					
Loans and receivables (lar)	lar	35,076	35,076	-	35,076
Financial liabilities measured at amortised cost (flac)	flac	22,473	22,473	-	22,473

		Valuation acc. to IAS 39			
December 31, 2010 **Figures in €k**	Valuation category acc. to IAS 39	Carrying value on 31.12.2010	Amortised acquisition cost	Fair value not affecting net income	Fair value on 31.12.2010
Assets					
Cash and cash equivalents	lar	6,316	6,316	-	6,316
Trade accounts receivable	lar	14,571	14,571	-	14,571
Accounts receivable from affiliated companies	lar	52	52	-	52
Other current financial assets	lar	14,321	14,321	-	14,321
Liabilities					
Trade accounts payable	flac	17,888	17,888	-	17,888
Accounts payable to affiliated companies	flac	250	250	-	250
Convertible bonds	flac	1	1	-	1
Other current financial liabilities	flac	5,353	5,353	-	5,353
Of which aggregated acc. to valuation categories in acc. with IAS 39:					
Loans and receivables (lar)	lar	35,260	35,260	-	35,260
Financial liabilities measured at amortised cost (flac)	flac	23,492	23,492	-	23,492

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

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

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

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

As of the balance sheet date the Group held no financial instruments measured at fair value.

The following tables present the net profits and losses from financial instruments according to valuation categories for the 2011 und 2010 fiscal years.

Figures in €k		from interest and dividends	Net profits and losses from subsequent valuation		from disposal	**Net result**
			fair value	Value adjusted		
Loan and receivables	lar	477	-	188	-368	**297**
Available-for-sale financial assets	afs	-	-	-	-	**-**
of which not affecting net income		-	-	-	-	**-**
of which affecting net income		-	-	-	-	**-**
Financial liabilities, valued at amortized cost	flac	-82	-	-	-	**-82**
2011		**395**	**-**	**188**	**-368**	**215**

Figures in €k		from interest and dividends	Net profits and losses from subsequent valuation		from disposal	**Net result**
			fair value	Value adjusted		
Loan and receivables	lar	555	-	77	-29	**603**
Available-for-sale financial assets	afs	-	-	-	-	**-**
of which not affecting net income		-	-	-	-	**-**
of which affecting net income		-	-	-	-	**-**
Financial liabilities, valued at amortized cost	flac	-258	-	-	-	**-258**
2010		**297**	**-**	**77**	**-29**	**345**

31. Transactions with related parties

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

- Members of the Management Board and Supervisory Board
- United Internet AG, Montabaur/Germany, and its subsidiaries, as the majority shareholder of Sedo Holding AG and its subsidiaries
- Associated companies of United Internet AG and of Sedo Holding AG

Member of the Management and Supervisory Board

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

As of December 31, 2011 the Supervisory Board of Sedo Holding AG consisted of:

- Michael Scheeren, qualified banker
- Ralph Dommermuth, CEO of United Internet AG
- Andreas Gauger, businessman

The Chairman of the Supervisory Board, Michael Scheeren, was also a member of the supervisory boards of United Internet AG, Montabaur, United Internet Media AG, Montabaur, 1&1 Internet AG, Montabaur (Chairman) and Goldbach Media AG, Küsnacht, Switzerland. In addition to his seat on the Supervisory Board of Sedo Holding AG, Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Andreas Gauger was also a member of the supervisory board of Fonpit AG, Berlin. Moreover, Mr. Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, ACAN Invest AG, Baar, Switzerland, and ACAN Management AG, Baar, Switzerland, and as an Independent Board Member of Parallels Inc., Bermuda.

In accordance with a resolution adopted by the Annual Shareholders’ Meeting of May 26, 2008, the members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company‘s success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 15.000 per full fiscal year. The Chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 250 for every € 0.01 of earnings per share of Sedo Holding AG, as disclosed in the Company’s consolidated financial statements according to IFRS, which exceeds a minimum amount of € 0.30 per share.

The Chairman of the Supervisory Board, Michael Scheeren, thus received total remuneration of € 30k (previous year: € 30k). Of this total, € 30k (previous year: € 30k) was fixed and € 0 variable (previous year: € 0). Andreas Gauger received total remuneration of € 15k (previous year: € 15k). Of this total, € 15k (previous year: € 15k) was fixed and € 0 variable (previous year: € 0). In agreement with the Supervisory Board members it is thereby the Company’s policy not to remunerate for Group-internal Supervisory Board mandates.

On December 15, 2010, affilinet GmbH concluded a consulting contract with Mr. Scheeren. Mr. Scheeren will thereby support affilinet GmbH with the practical implementation of the results emerging from a concluded strategy consulting project and implement them in the operative business processes. Excluded from this are such activities which fall within the area of responsibility of Mr. Scheeren as a member of the Supervisory Board of Sedo

Holding AG. In the 2011 fiscal year, consulting services with a value of € 60k had been made use of. The consulting contract was terminated following its successful completion as of July 31, 2011.

On August 19, 2011, Sedo GmbH concluded a consulting contract with Mr. Gauger. Mr. Gauger is supporting Sedo GmbH with the practical realization of the results produced by a completed strategy consulting project and with their implementation in the operative business processes. Excluded from this are such activities which fall within the area of responsibilities of Mr. Gauger as a member of the Supervisory Board of Sedo Holding AG. In the 2011 fiscal year consulting services amounting to € 17k were made use of.

As of December 31, 2011, the Management Board of Sedo Holding AG consisted of four members, namely: Axel Hamann, Tim Schumacher, Alexander Röthinger and Dr. Dorothea von Wichert-Nick.

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board is performance-oriented and consists of fixed and variable elements. In addition, there is a component providing long-term incentives in the form of convertible bonds, stock options or virtual stock options as well as a success-dependent payment for the years 2012 to 2014, the payment of which is dependent upon agreed targets and and the possession of an unterminated position as of December 31, 2014. The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to the sales and earnings figures. Depending on the attainment of targets, the Chairman of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. There is no subsequent amendment of performance targets. In general there is no guaranteed minimum payment of the variable remuneration component, but this could be agreed for the probation period.

Total remuneration paid to the members of the Management Board for fiscal year 2011 amounted to € 715k (previous year: € 534k) as shown in the following summary.

	Total compensation		**Fixed**		**Variable**		**Long-term incentive components*** **	
Figures in €k	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Axel Hamann *	125,002	-	100,002	-	25,000	-	n/a	-
Dr. Dorothea von Wichert-Nick *	139,000	-	99,000	-	40,000	-	n/a	-
Andreas Janssen **	158,082	218,264	142,332	186,264	15,750	32,000	n/a	n/a
Tim Schumacher	134,400	157,940	134,400	134,940	-	23,000	n/a	n/a
Alexander Röthinger	158,786	158,090	135,595	135,090	23,191	23,000	n/a	n/a
	715,270	534,294	611,329	456,294	103,941	78,000	n/a	n/a

* since July 1, 2011
** up to June 30, 2011
*** corresponding to fair value at issuance date and on completion of option vesting periods

Explanation of long-term incentive components of compensation

The current long-term incentive components of compensation are based on the plans described in Note 28 “Employee stock ownership plans”. Unless stated otherwise, the conditions and functions are identical to the standard conditions described. The size of long-term incentive components of compensation is based on fair value on issuance of the convertible bonds for the conversion rights acquired in the respective fiscal year. Acquired conversion rights are defined as that part of the issued options for which the vesting period has been completed in the fiscal year and which thus represent vested rights which can now be exercised.

Virtual stock options

In fiscal year 2007 the Supervisory Board adopted a resolution of November 28, 2007 to issue 200.000 virtual stock options (so-called Stock Appreciation Rights or SARs) to Mr. Janssen at an issue price of € 17.41 (Tranche B). In addition, the Supervisory Board adopted a resolution of March 30, 2009 to issue a further 100.000 SARs (Tranche G) to Mr. Janssen in fiscal year 2009 at an issue price of € 3.72. All the SARs issued in this tranches, or the option rights associated with them, expired when Mr. Janssen left the Sedo Holding Group as of June 30, 2011.

From the issue of virtual stock options made from Tranche A in the 2007 fiscal year, Mr. Röthinger received 30.000 SARs at an issue price of € 15.51.

Details on determining fair value at the time of issuance are provided in Note 28 “Employee stock ownership plans” (Virtual Stock Options, Tranches A, B, and G).

The number of shares and outstanding subscription rights of Sedo Holding AG held by members of the Management Board and the Supervisory Board is given in the following table:

	Shareholding		Subscription rights from employee stock ownership programs		
	31.12.2011	31.12.2010	SAR 31.12.2011	Exercise price in €	SAR 31.12.2010
Supervisory Board					
Michael Scheeren	72,656	72,656	-	-	-
Ralph Dommermuth	335,357 [1]	335,357 [1]	-	-	-
Andreas Gauger	1,000	1,000	-	-	-
Management Board					
Tim Schumacher	1,658,393	1,658,393	-	-	-
Alexander Röthinger	-	-	30,000	15.51	30,000
	2.067.406	2.067.406	30.000		30,000

[1] via Ralph Dommermuth Beteiligung GmbH

United Internet AG and its subsidiaries

Business relationships between the Sedo Holding Group and the United Internet Group are mainly with the following companies of the United Internet Group:

(1) United Internet AG, Montabaur / Germany
(2) 1&1 Internet AG, Montabaur / Germany
(3) 1&1 Internet Ltd., Slough / Great Britain
(4) 1&1 Internet Inc., Chesterbrook / USA
(5) 1&1 Internet S.A.R.L., Sarreguemines / France
(6) 1&1 Internet Espana S.L.U., Madrid / Spain
(7) A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur / Germany
(8) United Internet Media AG, Germany
(9) InterNetX GmbH, Regensburg, Germany
(10) united-domains AG, Starnberg / Germany
(11) United Domains. Inc., Cambridge / USA
(12) Fasthosts Internet Ltd., Gloucester / Great Britain
(13) United Internet Beteiligungen GmbH, Montabaur / Germany

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

Figures in €k	2011	2010
Acquired inventories (domains)	59	235
Insurance services	39	33
Rent paid	-	17
Other services rendered	742	1,030
Fess for parked domains and other cost of sales	310	205
Sales revenues	2,039	3,676
Interest income	91	-
Proceeds from disposal of an operating unit	-	21
Other income	18	18

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

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

Rent payments in the 2010 fiscal year refer to a lease between United Internet AG and Sedo Holding AG for offices at the Montabaur site. The lease was terminated by Sedo Holding AG on February 28, 2010 due to the relocation of the company’s registered office to Cologne.

Other services received include the following items:

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

1&1 Internet AG, or its subsidiaries, market some of their domains through the Domain Parking of the Sedo Holding Group. The fees paid result from the provision of advertising in the area of Domain Marketing. The other cost of sales are payments to United Internet Media AG, which is a Publisher in the affilinet network.

The sales revenues result mainly from the partner programs operated by the Group companies as well as, on a smaller scale, from the provision of advertising and sales services in the area of Domain Marketing.

The interest income result from the investment of surplus cash at United Internet AG.

In addition, affilinet Ltd., London, makes offices available to 1&1 Internet Limited. The other income result from the rent for the rooms as well as the charging on for services.

Associated companies

The company in question is DomainsBot S.r.l. as well as its 100% US American subsidiary. In the period under review software with a value of € 165k (previous year: € 156k) were acquired by Sedo Germany from DomainsBot.

32. Risk and capital management

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

The principles of this finance policy are set by the Management Board of Sedo Holding AG and documented in a risk manual, which is made available to all Group companies. The provisions are continually compared with changing legal conditions, and adapted or developed as required. Certain transactions require prior approval from the Supervisory Board in accordance with the rules and procedures of the Management Board.

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

Market risks

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

Currency risks

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

The individual Group companies perform their operating business mainly in their respective functional currencies. The exceptions are Sedo GmbH, Cologne/Germany and Sedo Holding AG as a separate company, which have significant cash flows outside their functional currencies.

For the presentation of market risks, IFRS 7 requires sensitivity analyses which show the effects of hypothetical changes of relevant risk variables on the result and equity capital. The periodical consequences are determined by the hypothetical changes of the risk variables are related to the stock of finance instruments on the balance sheet date. It is thereby assumed that the stock is representative of the complete year to the balance sheet date. Currency risks in the sense of IFRS 7 arise from monetary financial instruments which are denominated in a currency differing from the functional currency; exchange rate related differences arising from the translation of financial statements into the Group currency remain unconsidered. In principle, all non-functional currencies in which Sedo Holding Group is involved in financial instruments are regarded relevant risk variables.

The main original monetary financial instruments, on the basis of which currency risks arise for the Company, are cash, trade accounts receivable, as well as accounts receivable between affiliated companies which have a different functional currency.

In the currency sensitivity analyses, the essential currency pairs for the Company are observed: €/USD and €/GBP. The bases for the calculation were the average volatilities of the individual currencies in the year 2011. Assuming upward revaluations of the Euro compared with U.S. Dollar and Pound Sterling of 14% or 11%, the result of the Company from financial instruments would have been € 101k lower (previous year € -49k). In the event of devaluations of the Euro compared with the Pound Sterling and the USD dollar on the same scale, the result from financial instruments would have been € 113k higher (previous year: € 53k).

Interest risks

The Company finances its borrowing needs on a short-term basis. As of the balance sheet date, there was a positive financing balance (financial liabilities less cash and cash equivalents) of € 21.1 million (previous year: € 6.3 million). All cash deposits and available credit lines are based on variable interest rates. Ceteris paribus, the risk of change in interest rates thus corresponds to € 211k p.a. before tax (previous year: € 63k) per 1% change in the interest rate.

Price risks

Neither on the balance sheet date nor during fiscal year 2011 did the Company have any available-for-sale financial assets valued on the basis of market prices at fair value without effect on profit and loss.

Competition risks

Beside the general competition risks which are discussed in the Risk Report, there are no concrete risks.

Liquidity risks

The Company has sufficient short-term access to credit lines and cash or cash equivalents to be able to meet its payment obligations at all times. Due to its positive business development, the Company is also sufficiently creditworthy that, in the unlikely case of requiring to borrow externally it would be able to negotiate new lines of credit on reasonable terms, after the Company terminated its existing credit line of € 15 million in January 2011. The due dates of payments to be made by the Company are as follows:

Figures in €k	Due dates of payment				
As of 31.12.2011	2012	2013	2014	2015	2016 and later
Trade accounts receivable	18,153	-	-	-	-
Accounts receivable from affiliated companies	100	-	-	-	-
Other provisions	1,032	-	-	-	-
Other financial liabilities	3,188	-	-	-	-
Total	22,473	-	-	-	-

Figures in €k	Due dates of payment				
As of 31.12.2010	2011	2012	2013	2014	2015 and later
Trade accounts receivable	17,888	-	-	-	-
Accounts receivable from affiliated companies	250	-	-	-	-
Other provisions	1,036	-	-	-	-
Other financial liabilities	4,317	-	-	-	-
Convertible bonds	1	-	-	-	-
Total	23,492	-	-	-	-

Contingency and credit risks

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

The maximum contingency risk is given by the carrying values of the financial assets in the balance sheet.

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

The Company has a risk concentration of approx. 19% (previous year: 30%) of trade accounts receivable with two customers (previous year: three) with first-class credit rating. There is a risk concentration if trade accounts receivable from a third party exceed 5% of total receivables.

Capital management

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

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

The Group manages its capital requirements by monitoring and managing its working capital, and in particular by using the group-wide liquidity system (cash pool).

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

In the course of the 2011 fiscal year, as in the previous year, there were no amendments to the Group's capital management system with regard to objectives, guidelines or processes.

33. Subsequent events

There were no major events between the balance sheet date and the preparation of this report which required reporting.

34. Other financial commitments and contingencies

Other financial commitments

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

(1) leases for offices at the Group's various locations and

(2) leasing obligations for office equipment and a part of the vehicle fleet.

Figures in €k **31.12.2011**

	Direct product costs	Rent	Leasing & others	Total
Up to 1 year	-	1,341	54	1,395
1 – 4 years	-	1,430	77	1,507
> 4 years	-	114	1	115
	-	2,885	132	3,017

Figures in €k **31.12.2010**

	Direct product costs	Rent	Leasing & others	Total
Up to 1 year	155	1,204	49	1,408
1 – 4 years	-	1,814	34	1,848
> 4 years	-	-	-	-
	155	3,018	83	3,256

Leasing payments (rent and other operating leasing) recognized as an expense in the current fiscal year amount to € 1.5 million (previous year: € 1.5 million).

Contingent liabilities and other commitments

Litigation

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

A provision was formed for any obligations arising from this litigation, see Note 26 “Other provisions”.

Other

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

35. Segment reporting

The Company’s segment reporting was prepared in accordance with IFRS 8 “Business Segments”. The Management Board of Sedo Holding AG controls and organizes the Company according to both geographical and activity-based aspects. In its internal reporting structure, however, the dominant aspect is its organization and control according to the Company’s various fields of activity and their differences with regard to the products and services offered. Internal reporting does not correspond in all cases with the legal structure and is based on the business segments of Group.

The Group consists of a management holding (Sedo Holding AG) and the following two business segments differentiated in line with their ranges of products and services:

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

Besides the result of the corporate area (essentially Sedo Holding AG); the reconciliation column contains the effects of consolidation bookings as well as expenditures from the employee stock ownership plan.

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

Figures in €k	Affiliate Marketing	Domain Marketing	Total segments	Recon-ciliation	Total Sedo Holding Group [1]
2011					
Revenue with third parties	85,805	38,573	**124,378**	98	**124,476**
Inter-segment revenue	5	61	**66**	-66	**-**
Total revenue	85,810	38,634	**124,444**	32	**124,476**
Contribution	-1,095	4,729	**3,634**	-860	**2,774**
Depreciation and amortization	323	500	**823**	228	**1,051**
of which PPA amortization	-	121	**121**	-	**121**
of which non-scheduled depreciation	-	46	**46**	-	**46**
Amortization of goodwill	3,500	-	**3,500**	-	**3,500**
Adjustment in inventories	-	343	**343**	-	**343**
Compensation expenses from employee stock option plans	-	-	**-**	-300	**-300**
Capital expenditures	864	192	**1,056**	62	**1,118**
Investments in associated companies	-	999	**999**	-	**999**
Segment assets	27,918	73,669	**101,587**	13,044	**114,631**
of which goodwill	15,071	57,082	**72,153**	-	**72,153**
Liabilities	18,535	9,530	**28,065**	-5,089	**22,976**
Employees (as of 31.12.)	169	168	**337**	8	**345**

Figures in €k	Affiliate Marketing	Domain Marketing	Total segments	Recon-ciliation	Total Sedo Holding Group [1]
2010					
Revenue with third parties	72,876	43,061	**115,937**	158	**116,095**
Inter-segment revenue	4	41	**45**	-45	**-**
Total revenue	72,880	43,102	**115,982**	113	**116,095**
Contribution	1,330	3,951	**5,281**	-2,323	**2,958**
Depreciation and amortization	872	636	**1,508**	543	**2,051**
of which PPA amortization	553	223	**776**	276	**1,052**
Amortization of goodwill	-	162	**162**	-	**162**
Adjustment in inventories	-	3,383	**3,383**	-	**3,383**
Compensation expenses from employee stock option plans	-	-	**-**	234	**234**
Capital expenditures	472	113	**585**	31	**616**
Investments in associated companies	-	956	**956**	-	**956**
Segment assets	32,455	77,558	**110,013**	9,541	**119,554**
of which goodwill	18,571	57,079	**75,650**	-	**75,650**
Liabilities	21,070	13,874	**34,944**	-8,402	**26,542**
Employees (as of 31.12.)	157	168	**325**	15	**340**

[1] The statement of comprehensive income and cash flow statement figures refer to continued operations.

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

Figures in €k	**2011**	**2010**
Segment contribution	3,634	5,281
Corporate contribution	-1,163	-1,874
Personnel expense from employee stock ownership programs	300	-234
PPA amortizations	-	-275
Eliminations from consolidating entries	3	60
Sedo Holding Group contribution	2,774	2,958
Interest and similar expenses	-82	-258
Interest and similar income	477	555
Result before taxes	3,169	3,255
Income taxes	-4,212	-2,214
Result from discontinued operations	-	1,528
Net result	-1,043	2,569

	31.12.2011	31.12.2010
Segment assets	101,587	110,013
Corporate assets	11,041	-5,573
Shares in associated companies	999	956
Other current financial assets	-	12,195
Deferred tax assets	1,004	1,963
Gross assets of the Sedo Holding Group	114,631	119,554
Segment liabilities	28,065	34,944
Corporate liabilities	-5,592	-11,453
Tax provisions	216	2,710
Convertible bonds	-	1
Deferred tax liabilities	287	340
Gross liabilities of the Sedo Holding Group	22,976	26,542

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

Figures in €k	Germany	Other European countries	Non-Europe	Sedo Holding Group
2011				
Sales to third parties	58,491	61,041	4,944	124,476
Capital expenditures	1,049	47	22	1,118
Non-current assets (as of 31.12.)	72,268	3,310	325	75,903
Employees (as of 31.12.)	242	64	39	345

Figures in €k	Germany	Other European countries	Non-Europe	Sedo Holding Group
2010				
Sales to third parties	50,978	60,623	4,494	116,095
Capital expenditures	466	121	29	616
Non-current assets (as of 31.12.)	71,888	6,803	639	79,330
Employees (as of 31.12.)	235	59	46	340

With the largest customer who is in the Domain Marketing area, the group generated 22.7% of its sales in the 2011 fiscal year (28.6% in the previous year).

36. Exemption pursuant to Section 264 (3) HGB

The following companies of Sedo Holding Group make use of the provisions of Section 264 (3) HGB which exempt them from the first, second, third and fourth subsections of the second section of the German Commercial Code:

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

37. Group membership

As the parent company of Sedo Holding AG, United Internet AG prepares consolidated annual financial statements for the largest group of companies. The HGB-based result of United Internet AG for the preceding fiscal year 2010 amounted to € 779.5 million and its equity according to HGB amounted to € 985.6 million.

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

38. Auditing fees

In the 2011 fiscal year, fees of € 342k (previous year: € 199k) were registered as expenses on the level of Sedo Holding AG. These include auditing fees of € 120k (prior year: € 126k), tax consultancy services of € 154k (prior year: € 73k), and other services of € 68 (prior year: € 0).

On the level of the Group, total fees of the auditors amounted to € 493k (previous year: € 367). These include auditing fees of € 255k (previous year: € 288k), tax consultancy services of € 164k (previous year: € 73k), and other services of € 74k (previous year: € 6k).

39. Corporate Governance Code

The Management Board and Supervisory Board issued its declaration acc. to Section 161 AktG regarding conformity with the German Corporate Governance Code. The declaration is permanently accessible for shareholders on the internet portal of Sedo Holding AG (www.SedoHolding.com).

Cologne, March 15, 2012

The Management Board

Tobias Flaitz Axel Hamann Alexander Röthinger Dr. Dorothea von Wichert-Nick

Sedo Holding AG, Cologne

Appendix to the Notes

Development of fixed assets 2011 acc. to IFRS

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED AMORTIZATION/DEPRECIATION							NET BOOK VALUE	
	01.01.2011	Changes in consolidation group	Additions	Disposals	Currency translation adjustment	31.12.2011	01.01.2011	Additions	Impairment losses	Disposals	Reclassifications	Currency translation adjustment	31.12.2011	01.01.2011	31.12.2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
INTANGIBLE ASSETS															
Licenses, trademarks and others	2.548.493	0	0	0	43.527	2.592.020	1.605.617	153.913	46.148	0	0	60.529	1.866.207	942.876	725.813
Software	3.780.956	0	191.850	0	960	3.973.766	3.446.047	231.377	0	0	0	555	3.677.978	334.909	295.788
Internet platform	1.878.900	0	0	0	0	1.878.900	1.878.900	0	0	0	0	0	1.878.900	0	0
Databases	5.675.817	0	0	0	4.213	5.680.030	5.287.031	112.069	0	0	0	0	5.399.100	388.786	280.930
Prepayments	0	0	409.275	0	0	409.275	0	0	0	0	0	0	0	0	409.275
Subtotal	13.884.166	0	601.125	0	48.700	14.533.991	12.217.595	497.358	46.148	0	0	61.083	12.822.184	1.666.572	1.711.806
Goodwill	89.903.846	0	0	0	2.970	89.906.816	14.254.180	0	3.500.000	0	0	0	17.754.180	75.649.666	72.152.636
	103.788.012	0	601.125	0	51.670	104.440.807	26.471.775	497.358	3.546.148	0	0	61.083	30.576.364	77.316.238	73.864.442
PROPERTY, PLANT AND EQUIPMENT															
Other equipment, operational and office equipment	3.677.052	0	517.013	68.671	10.921	4.136.314	2.618.958	507.950	0	39.504	0	9.356	3.096.761	1.058.093	1.039.553
	3.677.052	0	517.013	68.671	10.921	4.136.314	2.618.958	507.950	0	39.504	0	9.356	3.096.761	1.058.093	1.039.553
FINANCIAL ASSETS															
Shares in associated companies	955.779	0	43.222	0	0	999.001	0	0	0	0	0	0	0	955.779	999.001
	955.779	0	43.222	0	0	999.001	0	0	0	0	0	0	0	955.779	999.001
	108.420.843	0	1.161.360	68.671	62.590	109.576.122	29.090.733	1.005.309	3.546.148	39.504	0	70.440	33.673.126	79.330.110	75.902.997

Development of fixed assets 2010 acc. to IFRS

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED AMORTIZATION/DEPRECIATION							NET BOOK VALUE	
	01.01.2010	Changes in consolidation group	Additions	Disposals	Currency translation adjustment	31.12.2010	01.01.2010	Additions	Impairment losses	Disposals	Reclassifications	Currency translation adjustment	31.12.2010	01.01.2010	31.12.2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
INTANGIBLE ASSETS															
Licenses, trademarks and others	2.436.619	0	300	0	111.575	2.548.493	1.311.135	206.868		0	0	87.614	1.605.617	1.125.484	942.876
Software	3.764.928	0	22.697	795	-5.874	3.780.956	3.106.323	358.056		795	0	-17.539	3.446.047	658.605	334.909
Internet platform	1.878.900	0	0	0	0	1.878.900	1.784.992	93.908		0	0	0	1.878.900	93.908	0
Databases	5.635.004	0	0	0	40.813	5.675.817	4.463.794	823.237		0	0	0	5.287.031	1.171.210	388.786
Subtotal	13.715.451	0	22.997	795	146.513	13.884.166	10.666.244	1.482.070	0	795	0	70.076	12.217.595	3.049.207	1.666.572
Goodwill	89.735.081	0	162.180	0	6.585	89.903.846	14.092.000	0	162.180	0	0	0	14.254.180	75.643.081	75.649.666
	103.450.532	0	185.177	795	153.098	103.788.012	24.758.244	1.482.070	162.180	795	0	70.076	26.471.775	78.692.288	77.316.238
PROPERTY, PLANT AND EQUIPMENT															
Other equipment, operational and office equipment	3.175.972	34.279	592.825	141.654	15.629	3.677.052	2.138.290	569.065		98.329	0	9.932	2.618.958	1.037.682	1.058.093
	3.175.972	34.279	592.825	141.654	15.629	3.677.052	2.138.290	569.065	0	98.329	0	9.932	2.618.958	1.037.682	1.058.093
FINANCIAL ASSETS															
Shares in associated companies	899.004	-72.775	129.550	0	0	955.779	0	0		0	0	0	0	899.004	955.779
Other non-current assets	12.340.601	-145.773	0	12.194.828	0	0	0	0		0	0	0	0	12.340.601	0
	13.239.605	-218.548	129.550	12.194.828	0	955.779	0	0	0	0	0	0	0	13.239.605	955.779
	119.866.109	-184.269	907.552	12.337.277	168.727	108.420.843	26.896.534	2.051.135	162.180	99.124	0	80.008	29.090.733	92.969.575	79.330.110

Audit opinion

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

”We have audited the consolidated financial statements prepared by Sedo Holding AG, Cologne, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity, together with the group management report for the fiscal year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and 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 [German] principles of proper accounting 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 the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. 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 relating to future development.”

Eschborn/Frankfurt am Main, March 16, 2012

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

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

Cologne, March 15, 2012

The Management Board

Tobias Flaitz Axel Hamann Alexander Röthinger Dr. Dorothea von Wichert-Nick

Sedo Holding AG,

Cologne

Parent Company Financial Statements

acc. to HGB

as of December 31, 2011

Sedo Holding AG, Cologne
Balance sheet as of December 31, 2011

Assets		EUR	EUR	31.12.2010 EUR
A.	**Fixed assets**			
I.	**Intangible assets**			
	Concessions, industrial property rights, and similar rights and values as well as licenses thereto		167.939,00	273.941,00
II.	**Tangible assets**			
	Other fixtures and fittings tools and equipment		46.694,00	113.795,00
III.	**Financial assets**			
1.	Shares in affiliated undertakings	49.975.420,14		49.975.420,14
2.	Loans to affiliated undertakings	34.300.000,00		34.300.000,00
3.	Other loans	0,00		12.194.828,00
			84.275.420,14	96.470.248,14
			84.490.053,14	96.857.984,14
B.	**Current assets**			
I.	**Accounts receivable**			
1.	Trade accounts receivable	25.868,47		458.415,44
2.	Accounts receivable from affiliated companies	6.226.189,07		13.413.719,11
3.	Other assets	231.952,52		1.452.121,62
			6.484.010,06	15.324.256,17
II.	**Cash on hand and on deposit with banks**		19.701.304,40	6.084.239,98
			26.185.314,46	21.408.496,15
C.	**Prepayments and accrued income**		3.888,84	4.631,05
			110.679.256,44	118.271.111,34

Liabilities		EUR	EUR	31.12.2010 EUR
A.	**Capital stock**			
I.	**Subscribed capital** [1]	30.455.890,00		30.455.890,00
II.	**Additional paid-in capital**	66.202.111,31		66.202.111,31
III.	**Accumulated profit**	1.126.929,86		0,00
			97.784.931,17	96.658.001,31
B.	**Provisions**			
1.	Tax provisions	189.353,22		2.652.423,21
2.	Other provisions	1.058.750,74		1.275.136,15
			1.248.103,96	3.927.559,36
C.	**Liabilities**			
1.	Bonds, of which, convertible € 0.00 (p.y.: € 563,00)	0,00		563,00
2.	Accounts payable	146.913,19		156.870,48
3.	Accounts payable due to affiliated companies	11.386.768,57		17.497.690,63
4.	Other liabilities of which, for taxes € 35,471.43 (p.y.: € 25,955.06) of which, for social security € 0.00 (p.y.: € 4,392.00)	37.539,55		30.426,56
			11.571.221,31	17.685.550,67
D.	**Deferred income**		75.000,00	0,00
			110.679.256,44	118.271.111,34

[1] In addition, there is conditional capital of € 15,144,010.00 (prev. year: € 15,144,010.,00)

Sedo Holding AG, Cologne
Income statement for 2011

		EUR	EUR	2010 EUR
1.	Sales revenues	2.195.988,88		2.847.678,84
2.	Other operating income	1.286.482,70		2.545.729,51
			3.482.471,58	5.393.408,35
3.	Cost of materials			
	Cost of purchased services	1.315.417,45		1.614.437,50
4.	Personnel expenses			
	a) Wages and salaries	967.302,25		1.073.817,38
	b) Social security and other pension costs, of which in respect of old-age pensions € 0,00 (prev. year: € 0,0)	99.690,48		77.888,65
5.	Depreciation and amortization of intangible assets and tangible assets	228.314,80		267.764,80
6.	Other operating expenses	1.987.330,72		1.988.232,58
			4.598.055,70	5.022.140,91
7.	Income from profit-transfer agreements	3.438.314,61		9.212.590,69
8.	Income from other securities and long-term loans of which, from affiliated companies € 1,149,835.21 (prev. year: € 961,281.03)	1.440.275,36		1.468.653,67
9.	Other interest and similar income of which, from affiliated companies € 399,976.52 (prev. year: € 251,391.92)	494.464,92		291.676,50
10.	Interest and similar expenses of which, to affiliated companies € 262,518.10 (prev. year: € 167,949.03)	343.683,33		415.214,55
			5.029.371,56	10.557.706,31
11.	Result from ordinary activities		3.913.787,44	10.928.973,75
12.	Income taxes	2.778.134,50		3.243.467,90
13.	Other taxes	8.723,08		3.814,08
			2.786.857,58	3.247.281,98
14.	Net income for the year		1.126.929,86	7.681.691,77
15.	Loss carried forward from previous year		0,00	-43.579.242,67
16.	Withdrawal from capital reserve		0,00	35.897.550,90
17.	Accumulated profit		1.126.929,86	0,00

Sedo Holding AG, Cologne
Annual Financial Statements of the Parent Company acc. to HGB
as at December 31, 2011

General comments

These annual accounts have been prepared in accordance with Sec. 242 ff. and Sec. 264. of the German Commercial Code (HGB), as well as with the relevant regulations of German Stock Corporation Law (AktG). The regulations for large corporations apply.

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

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

Accounting and valuation methods

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

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

Property, plant and equipment are depreciated over their expected useful lives at the highest rates permitted under tax laws. The straight-line method is applied.

Low-value items with an individual value of no more than € 150.00 are fully written-off in the year of acquisition; it is assumed that they are disposed of immediately. Assets with a net individual value of more than € 150.00 but less than € 1,000.00 are depreciated over their expected useful lives. The depreciations on additions to property, plant and equipment otherwise are effected pro rata temporis.

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

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

Cash and cash equivalents are stated at their nominal values.

Tax provisions and **other provisions** consider all contingent liabilities and possible losses from pending transactions. They are set at the level deemed necessary according to sound commercial judgment (i.e. including future increases in costs and prices). Provisions with a remaining time of more than one year are discounted.

Liabilities are set at the amount to be paid.

For the calculation of deferred taxes due to temporary or quasi-permanent differences between the values assigned to assets, liabilities and accruals and deferrals in accordance with commercial law and their values for taxation purposes or on the basis of tax loss carry-forwards, the amounts of the tax burden or relief are calculated with the company's individual tax rates at the time when the differences reverse and not discounted. Deferred tax assets and liabilities are shown without being balanced out.

Currency translation

Assets and liabilities denominated in foreign currencies are converted in principle using the spot exchange rate on the balance sheet date. With a remaining term to maturity of more than one year the realization principle (Section 252 Par. 1 No. 4 Sentence 2 HGB) and the acquisition cost principle (Section 253 Par. 1 Sentence 1 HGB) is observed.

Notes to the balance sheet items

Fixed assets

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

The financial assets of the company essentially consist of shares in affiliated companies and loans to affiliated companies.

Shareholdings

	Currency	Shareholding %	Equity in million l.c.	Net profit in million l.c.
Domestic				
Response Republic Beteiligungs-gesellschaft Deutschland GmbH, Montabaur [2]	EUR	100	33.9	0.0
affilinet GmbH, Munich[2]	EUR	100	3.3	0.0
Sedo GmbH, Cologne[1, 3]	EUR	100	13.4	0.0
Foreign				
affilinet Ltd., London/UK[3]	GBP	100	-3.5	-1.0
affilinet SAS, Levallois-Perret/France[3]	EUR	100	4.8	-0.8
affilinet España SLU, Madrid/Spain[3]	EUR	100	0.1	0.0
affilinet Nederland B.V., Haarlem/Nederlands[3]	EUR	100	0.1	0.0
DomCollect Worldwide Intellectual Property AG, Zug/Switzerland[3]	EUR	100	-2.6	-2.7
DomainsBot s.r.l, Rome/Italy[3]	EUR	49	0.6	0.2
DomainsBot Inc., San Francisco/USA[3]	USD	49	0.1	0.0
Intellectual Property Management Company Inc., Delaware/USA[3]	USD	49	-0.5	0.1
Sedo London Ltd., London/UK[3]	GBP	100	0.0	0.0
Sedo.com LLC, Boston/USA[3]	USD	100	1.6	0.9

1) After profit transfer to Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur
2) After profit transfer to Sedo Holding AG, Cologne
3) Indirect holding

Loans

In order to finance the purchase of shares in Sedo GmbH in the 2006 fiscal year, a long-term credit line of € 34.5 million was granted to Response Republic Beteiligungsgesellschaft Deutschland GmbH by Sedo Holding AG, with a term until December 31, 2011. This loan was extended on the same conditions on December 30, 2011, until December 31, 2014. As of the balance sheet date, the loan had an unchanged value of € 34.3 million.

In accordance with the general loan agreement of December 20, 2008, Sedo Holding AG increased an existing loan to affilinet UK of GBP 1.0 million to GBP 1.75 million. The loan had a maximum term until December 31, 2011; on December 30, 2011, however, it was extended on the same conditions until December 31, 2014. As of December 31, 2011, affilinet UK had made full recourse to the credit. Due to the future financial and earnings position of affilinet UK, the value of the loan granted was already adjusted in full in fiscal year 2008.

	Term			Total
		due 1		
	Within 1 year	to 5 years	Over 5 years	
Loans to affiliated companies in €k	34,300	0	0	34,300

Deferred taxes

Temporary differences arise between the result according to commercial and tax law, as unrealized capital gains and losses are not taken into consideration for tax purposes. An overhang of unrealized currency losses in the 2011 fiscal year led to deferred taxes assets which were not capitalized by exercising the right to choose according to Section 274 HGB. The differences essentially result from the valuation on the due date of inter-company items (receivables, liabilities) in U.S. Dollars.

Receivables and other assets

	31.12.2011 €k	31.12.2010 €k
Trade receivables	26	458
of which due in more than one year	0	0
Receivables from affiliated companies	6,226	13,414
of which due in more than one year	0	0
Other assets	232	1,452
of which due in more than one year	0	0
	6,484	15,324

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

The decrease in other assets results mainly from repayments of tax claims made by the tax authorities from previous years.

There are no receivables due from the shareholder.

Cash and cash equivalents

As of December 31, 2011, the Company had cash and cash equivalents amounting to € 19,701k (previous year: € 6,084k). Mainly responsible for the increase is the scheduled repayment of vendor loan granted to Hi-media S.A. of € 12,195k in the second quarter of 2011. Sedo Holding AG ("pool leader") has signed agreements with various Group members ("pool participants") concerning a central cash management system. The pool participants undertake to transfer cash and cash equivalents not required to a central account held with Commerzbank AG.

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

Cash credit lines as of December 31, 2011	in € million
Deutsche Postbank AG*	0.5
Total:	**0.5**

Bank guaranties as of December 31, 2011	in € million
Commerzbank AG	0.3
Total:	**0.3**

* Co-liable borrower together with Sedo GmbH

Capital stock

The Management Board was authorized by the Annual Shareholders' Meeting of May 19, 2010, to raise the Company's capital stock by up to € 15,200,000 (Authorized Capital 2010).

The Management Board is authorized, with the consent of the Supervisory Board, to raise the Company's capital stock in the period up to May 18, 2015 in one or several amounts, by up to € 15,200,000.00 by issuing new no-par value shares for cash or consideration. The Management Board is further authorized, under certain circumstances, also with the respective consent of the Supervisory Board, to decide whether to exclude the subscription rights of shareholders.

In the period under review no use was made of the authorized capital, so that as of the balance sheet date the authorized capital 2010 amounted to € 15,200,000.

As a result, capital stock was unchanged at € 30,455,890 and is divided into 30,455,890 no-par value, registered shares with a theoretical share in the capital stock of € 1.00 each.
In addition, capital stock was increased conditionally by up to € 1,044,010 divided into up to 1,044,010 no-par value shares (Conditional Capital 2004) and by up to € 14,100,000 divided into up to 14,100,000 no-par value shares (Conditional Capital 2010). The Conditional Capital 2004 was made in order to grant conversion rights to bearers of convertible bonds. The conditional capital increase in 2010 served the granting of shares to the owners or creditors of options or convertible bonds which, in accordance with the authorization of the Annual Shareholders' Meeting will be issued by the company from May 19, 2010 to May 18, 2015.

At the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to acquire treasury shares representing up to ten percent of capital in the period ending May 19, 2015.

As of December 31, 2011 capital stock was held as follows:

	€k	%
United Internet AG	23,998	78.79
Tim Schumacher	1,658	5.45
Free float	4,391	14.42
Supervisory Board	409	1.34
	30,456	100.0

The additional paid-in capital as of December 31, 2011, was € 66,202k, as in the previous year. To December 31, 2010, in accordance with Sec. 150, par. 4 (2) AktG, € 35,898k was withdrawn from the additional paid-in capital in order to compensate for the loss carried forward from the previous year, less the annual net income of fiscal year 2010.

Net profit for the year

Sedo Holding AG reports a net income of € 1,127k (previous year: € 7,682k) in the financial year.

After the previous year's accumulated loss was € 0 following a withdrawal from the investment reserve of € 35,898k, as of December 31, 2011 there was an accumulated profit of € 1,127k.

Other provisions

	31.12.2011 € k	31.12.2010 € k
Tax provisions	189	2,653
Other provisions	1,059	1,275
	1,248	3,928

The other provisions mainly consist of accrued risks arising from current contracts of € 698k (prev. year: € 700k). Furthermore, the other provisions are essentially allotted to personnel-related provisions like royalties, commissions and outstanding holidays (€ 48k; prev. year: € 113k) as well as on provisions for auditing and advisory costs (€ 159k; prev. year: € 157k), for Supervisory Board remuneration (€ 45k; prev. year € 45k) as well as for the Annual Shareholders' Meeting and the Annual Report (€ 70k; prev. year € 90k).

Liabilities

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

Table of liabilities

Liability type	31.12. 2011 up to 1 year	31.12. 2011 Due 1 to 5 years	31.12. 2011 in € k Total	31.12.2010 up to 1 year	31.12.2010 Due 1 to 5 years	31.12.2010 in € k Total
1. Bonds, thereof convertible	0	0	0	1	0	1
2. Trade accounts payable	147	0	147	157	0	157
3. Liabilities due to affiliated companies	11,387	0	11,387	17,495	0	17,495
4. Liabilities due to Shareholder	0	0	0	3	0	3
5. Other liabilities	37	0	37	30	0	30
- of which for tax	35	0	35	26	0	26
- of which for social security	0	0	0	4	0	4
	11,571	0	11,571	17,686	0	17,686

The bonds shown at the previous year's balance sheet date include convertible bonds granted to executives of the Sedo Holding Group as part of the employee stock ownership plan.

Sedo Holding Group AG issued no convertible bonds to employees of the Sedo Holding Group in the 2011 fiscal year. On the contrary, in the past fiscal year the expired convertible bonds were repaid (€ 1k); as in the previous year there were no conversions of convertible bonds. Thus, on the balance sheet date, no convertible bonds were still outstanding.

Deferred income

The deferred income item of € 75k results from a contractually agreed cost reimbursement which covers a time period until September 2013 and was correspondingly delimited as regards content.

Virtual stock options

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

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

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

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

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

With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, the first tranche was issued to senior managers of the Sedo Holding Group. The resolution comprises a volume of up to 230,000 virtual stock options at a subscription price of € 15.51 (**Tranche A**). 50,000 units of this tranche relate to employees of affilinet GmbH. The remaining SARs and respective option rights have expired due to the departure from the Sedo Holding Group of the employees concerned.

With a resolution of November 28, 2007 and approval of the Supervisory Board, a second **Tranche B** tranche was issued to the Management Board member Andreas Janssen. The tranche issued comprises a volume of 200,000 at a strike price of € 17.41. All the SARs issued in this tranche, or the option rights associated with them, expired when Andreas Janssen left the Sedo Holding Group as of June 30, 2011.

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

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

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

With a resolution of the Management Board on March 25, 2009, and the approval of the Supervisory Board, a sixth **Tranche F** was issued to a senior manager of the Sedo Holding Group. The issue comprises a volume of 30,000 virtual stock options at a subscription price of € 3.72. All SARs issued in this tranche or the option rights based upon them expired when the employee left the Sedo Holding Group in the 2011 fiscal year.

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued seventh **Tranche G** comprises a volume of 100,000 virtual stock options at a subscription price of € 3.72. All SARs issued in this tranche or the option rights based upon them expired when Andreas Janssen left the Sedo Holding Group as of June 30, 2011.

With a resolution of the Management Board on May 25, 2009, and the approval of the Supervisory Board, an eighth **Tranche H** was issued to two senior employees of the Sedo Holding Group. The issue comprises a volume of 70,000 virtual stock options at a subscription price of € 4.32. 30,000 units already expired in 2009 due to the departure of one of the employees concerned, the remaining 40,000 expired when the employee left the Sedo Holding Group in the 2011 fiscal year.

With a resolution of the Management Board on March 22, 2010, and the approval of the Supervisory Board, a ninth **Tranche I** was issued to a senior employee of the Group. The issue comprises a volume of 40,000 virtual stock options at a subscription price of € 4.21.

As of December 31, 2010, a provision was formed due to the threat of recourse of € 29k, since the share price of Sedo Holding AG at that time and up to the balance sheet preparation, was above the exercise price of the tranches F and G. This provision was dissolved on the balance sheet date since the share price of Sedo Holding AG lay below the respective exercise prices of all tranches, so that recourse was improbable and thus no provision was formed.

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

	31.12.2011 €k	31.12.2010 €k
Tranche A	210	210
Tranche B (expiry of 200,000 units in 2011)	0	723
Tranche C (expiry of 30,000 units in 2011)	0	116
Tranche F(expiry of 30,000 units in 2011)	0	18
Tranche G(expiry of 100,000 units in 2011)	0	62
Tranche H(expiry of 40,000 units in 2011)	0	31
Tranche I	26	26

This resulted in the following average market values:	€
Tranche A	4.20
Tranche I	0.65

The following assumptions were made:

Tranche A

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

Tranche I

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 41.32
- Expected term: 5 years
- Risk-free interest: 1.74%

Financing

Due to the Company's adequate liquidity situation the credit line agreement with Commerzbank AG for € 15.0 million was cancelled at the request of the Company as of January 21, 2011. As of December 31, 2011, a new credit by way of bank guaranty of € 300k was taken out. As of December 31, 2011 this facility was utilized by the Company at a level of € 254k.

The liabilities of Sedo Holding AG to affiliated companies result mainly from Sedo Holding Group's internal cash pool plus interest. In this connection we refer to the notes on cash and cash equivalents.

Contingent liabilities

In a letter dated April 15, 2011, the Company made a commitment to affilinet Ltd., London, UK, to acquire the liabilities of this subsidiary in the event of possible insolvency. With this letter of support, the continued existence of affilinet Ltd. is secured until December 31, 2011.

The Company also has an indirect liability from the letter of subordination submitted by Sedo GmbH, Cologne, to DomCollect Worldwide Intellectual Property AG, Zug, Switzerland. In fiscal year 2011, DomCollect Worldwide Intellectual Property AG posted a net loss of € 2,686k, as a result of which as of December 31, 2011, the company is overindebted. As of December 31, 2011, DomCollect Worldwide Intellectual Property AG had liabilities from loans due to its parent company Sedo GmbH, Cologne, amounting to € 7,350k. In a contract dated February 14, 2012, an agreement was made with the parent company to subordinate its claims below the receivables of all current and future creditors of the company to such an extent as to avoid over-indebtedness.

Sedo Holding AG does not expect any demands from the contingent liabilities associated with its subsidiary companies, since their planning indicates a positive business trend.

Other financial obligations

In addition to these commitments, other financial obligations amount to € 15k (of which to affiliated companies € 14k). These obligations include the following items:

Type of other financial obligation in €k	Due up to 1 year	1 to 5 years	over 5 years	Total
Payment obligations from lease agreements	15	0	0	15
	15	0	0	15

Future obligations from rental agreements result from the rental agreement with Sedo GmbH which has existed since March 2010 for the offices in Cologne and amount to €14k. The lease runs until further notice. In addition there is an unlimited rental agreement for archive space. The minimum payment obligation arising from this is € 1k.

Notes to the income statement

Sales revenue

Sales revenue of € 2.1 million was generated within the Group, mainly resulting from the passing on of costs arising from existing service agreements with the subsidiary companies.

The sales revenue from third parties of € 0.1 million largely results from revenues of the media companies sold in 2009. This concerns services which Sedo Holding AG rendered for its former subsidiary companies.

Other operating income

Other operating income of € 1.3 million (previous year: € 2.5 million) is largely the result of the reversal of a provision for risks arising from currency valuations (previous year: € 0.2 million). The previous year's figure, in contrast, mainly concerned revenue from other periods arising from the reversal of provisions for risks arising from current contracts (€ 2.3 million).

Income from profit transfer agreements

Income from investments results from the profit transfer of affilinet GmbH (€ 622k; prev. year: € 3,317k) and Response Republic Beteiligungsgesellschaft Deutschland GmbH (€ 2,816k; prev. year € 5,896k) to Sedo Holding AG.

Other operating expenses

Other operating expenses of € 2.0 million (previous year: € 2.0 million) result mainly from expenses from currency valuations of € 0.8 million (prev. year: € 0.1 million), legal, consulting and auditing costs of € 0.5 million (previous year: € 1.1 million), third-party IT services and software licenses of € 0.3 million (prev. year: € 0.4 million), as well as costs for the Annual Shareholders' Meeting and Annual Report of € 0.1 million (prev. year: € 0.1 million).

Income taxes

Income taxes in the 2011 fiscal year amount to € 2.8 million (prev. year: € 3.2 million). Of this total, € 2.7 million was accounted for the result of ordinary business activities:
€ 0.7 million (prev. year: € 0.6 million) consisted of expenditure relating to earlier periods. This resulted from the adjustment of tax obligations from previous years as well as provisions for the ongoing tax audits for the years 2006 to 2008.

Other disclosures

Management Board

As of December 31, 2011, the Management Board of Sedo Holding AG consisted of four members: Axel Hamann (Finance; since July 1, 2011), Tim Schumacher (Speaker of the Board), Alexander Röthinger (Technology) and Dr.

Dorothea von Wichert-Nick (Marketing and Sales; since July 1, 2011). Andreas Janssen (Finance) left the Management Board of Sedo Holding AG as of June 30, 2011. Tim Schumacher left the Management Board of Sedo Holding AG as of December 31, 2011; as of February 1, 2012, Tobias Flaitz succeeded him with responsibility for Marketing/Sales Sedo.

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of Sedo Holding AG is performance-oriented and consists of fixed and variable elements. In addition, a medium-term management bonus has been agreed with some members of the Management Board which is also dependent upon the achievement of fixed targets and an unterminated position on the due date at the end of the agreed period.

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 2011 amounted to € 715k (previous year: € 534k). Of this total, the fixed sums accounted for € 611k (previous year: € 456k) and the variable sums for € 104k (previous year: € 78k) of total remuneration.

In accordance with the terms of his service contract, Mr. Hamann receives performance-oriented compensation of € 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no bonus payment below 90% and the maximum bonus is limited to 120% of target achievement. Mr. Hamann also receives a success-dependent payment of € 300k gross for the years 2012 to 2014, the payment of which is dependent upon the achievement of the agreed targets and an unterminated position on December 31, 2014. This part of remuneration is also subject to the afore-mentioned range of 90% to a maximum of 120%.

In accordance with the terms of her service contract, Dr. von Wichert-Nick receives performance-oriented compensation of € 80k gross, on top of her fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no bonus payment below 90% and the maximum bonus is limited to 120% of target achievement. Dr. von Wichert-Nick also receives a success-dependent payment of € 300k gross for the years 2012 to 2014, the payment of which is dependent upon the achievement of the agreed targets and an unterminated position on December 31, 2014. This part of remuneration is also subject to the afore-mentioned range of 90% to a maximum of 120%.

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

In accordance with the terms of his service contract, Mr. Röthinger receives performance-oriented compensation of € 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no payment below 90% and the bonus is limited to 120% target achievement. Mr. Röthinger also received 30,000 SARs (Tranche A) at a strike price of € 15.51 as part of the Stock Appreciation Rights (SAR) agreement. The fair value of the tranche amounts to € 4.20.

Total remuneration was divided up as follows:

	2011		
	Fixed	Variable	Total
Andreas Janssen (up to 30.6.2011)	142	16	158
Axel Hamann (since 1.7.2011)	100	25	125
Dr. Dorothea von Wichert-Nick (since 1.7. 2011)	99	40	139
Tim Schumacher	134	0	134
Alexander Röthinger	136	23	159
	611	104	715

The variable remuneration shown refers to the 2011 fiscal year. Insofar as the actual level has not yet been decided, provision was made for it as of December 31, 2011; a payment will only be made in 2012.

Supervisory Board

As of December 31, 2011, the Supervisory Board of Sedo Holding AG consisted of:

Michael Scheeren, qualified banker,

Ralph Dommermuth, CEO of United Internet AG

Andreas Gauger, businessman

The Chairman of the Supervisory Board, Mr. Michael Scheeren, was also a member of the supervisory boards of United Internet AG, Montabaur, United Internet Media AG, Montabaur, 1&1 Internet AG, Montabaur (Chairman), Goldbach Media AG, Küsnacht, Switzerland. Mr. Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Mr. Andreas Gauger was also a member of the supervisory board of Fonpit AG, Berlin. Moreover, Mr. Andreas Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, ACAN Invest AG, Baar, Switzerland, ACAN Management AG, Baar, Switzerland and an Independent Board Member of Parallels Inc., Bermuda.

For the fiscal year 2011, the members of the Supervisory Board receive remuneration totaling € 45k (previous year: € 45k).

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 26, 2008, Supervisory Board remuneration comprises the following components. Each member of the Supervisory Board receives a fixed amount of € 15,000.00 per year. The chairman of the Supervisory Board receives twice this amount. In addition to this fixed amount, each Supervisory Board member (including the chairman) receives a variable amount based on the Company’s performance. The variable amount is € 250.00 for every € 0.01 of earnings per share, as disclosed in the Company’s consolidated financial statements, which exceeds a minimum amount of € 0.30 per share.

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

As of December 31, 2011, the Supervisory Board held 409,013 shares. This total was divided as follows:

	Shareholding	
	31.12. 2011	31.12. 2010
Michael Scheeren	72,656	72,656
Ralph Dommermuth (since November 16, 2009) [1]	335,357	335,357
Andreas Gauger	1,000	1,000
Total	409,013	409,013

[1] via Ralph Dommermuth Beteiligung GmbH

Employees

In the past fiscal year, there was an annual average of 9 (previous year: 13) full-time employees.

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

	2011	**2010**
Administration	9	12
IT	0	1
	9	**13**
Management Board	4	3
Total	**13**	**16**

Group relations

In accordance with Sec. 315a HGB, Sedo Holding AG prepared consolidated annual financial statements for the 2011 fiscal year according to the IFRS of the International Accounting Standards Board ("IASB"), as applied in the EU.

These consolidated annual financial statements are in turn included in the consolidated annual financial statements of United Internet AG, Montabaur, as the highest group company, which are published in the electronic Federal Gazette.

Appropriation of profit

As of December 31, 2011, the accumulated profit was € 1,127k. According to section 14 of the statutes of Sedo Holding AG, the Annual Shareholders' Meeting will decide on the appropriation of the accumulated profit.

Auditing and consulting expenses

In fiscal year 2011, fees of € 342k (previous year: € 199k) were invoiced on the level of Sedo Holding AG. These include auditing fees of € 120k (previous year: € 126k), tax consultancy services of € 154k (previous year: € 73k) and other services of € 68k (previous year: € 0).

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

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

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

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Tim Schumacher informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% and 5% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the afore-mentioned date, Mr. Tim Schumacher held 5.45% of our capital stock (1,658,393 voting rights).

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

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

Corporate Governance Code declaration acc. to Sec. 161 AktG

The Management Board and Supervisory Board of Sedo Holding Media AG submitted its statutory declaration for 2011 pursuant to Sec. 161 AktG regarding the recommendations of the "Government Commission German Corporate Governance Code". The declaration is permanently available to shareholders on the Internet portal of Sedo Holding AG (www.SedoHolding.com).

In the declaration, the Management Board and Supervisory Board of Sedo Holding AG state that, with certain exceptions, they comply, and will continue to comply, with the recommendations of the Government Commission.

Cologne, March 15, 2012

The Management Board

Tobias Flaitz   Axel Hamann   Alexander Röthinger   Dr. Dorothea von Wichert-Nick

Sedo Holding AG, Cologne

Development of fixed assets 2011

		Acquisition and production costs				Accumulated depreciation and amortization				Carrying values	
		1.1.2011	Additions	Disposals	31.12.2011	1.1.2011	Additions	Disposals	31.12.2011	31.12.2011	31.12.2010
		€	€	€	€	€	€	€	€	€	€
I.	**Intangible assets**										
	Commercially acquired concessions, industrial protection rights and similar rights and values as well as licenses to such rights and values	2.654.728,13	61.463,32	0,00	2.716.191,45	2.380.787,13	167.465,32	0,00	2.548.252,45	167.939,00	273.941,00
II.	**Property, plant and equipment**										
1.	Other equipment, operational and office equipment	445.307,92	415,00	36.376,91	409.346,01	337.826,42	58.095,50	29.528,91	366.393,01	42.953,00	107.481,50
2.	Low value economic goods	10.580,81	181,48	0,00	10.762,29	4.267,31	2.753,98	0,00	7.021,29	3.741,00	6.313,50
		455.888,73	596,48	36.376,91	420.108,30	342.093,73	60.849,48	29.528,91	373.414,30	46.694,00	113.795,00
III.	**Financial assets**										
1.	Shares in affiliated companies	49.975.420,14	0,00	0,00	49.975.420,14	0,00	0,00	0,00	0,00	49.975.420,14	49.975.420,14
2.	Loans to affiliated companies	36.302.276,34	0,00	0,00	36.302.276,34	2.002.276,34	0,00	0,00	2.002.276,34	34.300.000,00	34.300.000,00
3.	Other loans	12.194.828,00	0,00	12.194.828,00	0,00	0,00	0,00	0,00	0,00	0,00	12.194.828,00
		98.472.524,48	0,00	12.194.828,00	86.277.696,48	2.002.276,34	0,00	0,00	2.002.276,34	84.275.420,14	96.470.248,14
		101.583.141,34	62.059,80	12.231.204,91	89.413.996,23	4.725.157,20	228.314,80	29.528,91	4.923.943,09	84.490.053,14	96.857.984,14

Audit opinion

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

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Sedo Holding AG, Cologne, for the fiscal year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company’s position and suitably presents the opportunities and risks relating to future development.”

Eschborn/Frankfurt am Main, March 16, 2012

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

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

Cologne, March 15, 2012

The Management Board

Tobias Flaitz Axel Hamann Alexander Röthinger Dr. Dorothea von Wichert-Nick

This financial report is available in German and Englisch. Both versions can be downloaded from www.sedo-holding.com. In all cases of doubt, the German version shall prevail.