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 2012 fiscal year

Annual Report 2012

Sedo Holding AG at a Glance

Group key figures acc. to IFRS		Jan. – Dec. 2012	Jan. – Dec. 2011	Change in %
Financial figures				
Sales revenues	€ million	132.7	124.5	6.6%
Gross margin	%	18.8	22.0	-
EBITDA*	€ million	5.0	7.6	-34.2%
EBT before one-offs**	€ million	3.7	6.7	-44.8%
EBT	€ million	-56.6	3.2	-
Net result	€ million	-58.9	-1.0	-
EPS	€	-1.93	-0.03	-
Balance sheet figures				
Current assets	€ million	40.6	37.7	7.7%
Non-current assets	€ million	16.6	76.9	-78.4%
Liabilities	€ million	24.5	23.0	6.5%
Equity	€ million	32.7	91.7	-64.3%
Total assets	€ million	57.2	114.6	-50.1%
The Sedo Holding share				
Number of shares at year-end		30,455,890	30,455,890	-
Market capitalization at year-end	€ million	41.7	80.7	-48.3%
Year-end share price	€	1.37	2.65	-48.3%
Year-high share price	€	3.17	4.65	-31.8%
Year-low share price	€	1.37	1.99	-31.2%
Employees at year-end				
Germany		241	242	-0.4%
Abroad		104	103	1.0%
Total		345	345	-

* EBITDA – result of operating activities before depreciation, amortization and write-downs on domains

** EBT before one-offs 2012: before goodwill impairment charges in the cash-generating unit (CGU) Sedo subgroup and in the CGU affilinet France // 2011: before goodwill impairment charges in the CGU affilinet France

Quarterly development in € million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q4 2011
Sales revenues	34.4	32.2	32.1	34.0	32.5
EBITDA	2.4	0.9	0.4	1.3	2.1
EBT	2.2	-59.8	0.0	1.0	-1.6
Consolidated net income	1.3	-60.3	-0.3	0.5	-3.7

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Foreword of the Management Board

Dear shareholders, business associates and employees,

In the 2012 fiscal year, the Sedo Holding Group grew its sales revenue by 6.6% to a total of € 132.7 million (previous year: € 124.5 million). Despite this positive sales trend at Group level, a look at our business segments shows that the Company was confronted by several major challenges last year.

In our Domain Marketing segment, sales continued to decline, with € 31.7 million being generated in the 2012 fiscal year, compared with € 38.6 million in the previous year. The number of domains tradable on the platform fell to 14.9 million as of December 31, 2012, following 15.7 million as of December 31, 2011. In performance-based Domain Parking, around 3.8 million domains were available for marketing as of the balance sheet date (December 31, 2011: 4.4 million). In Domain Marketing, the decrease in sales, and the related drop in earnings, reflects the overall downtrend of the domain parking market. In contrast to this, the Domain Trading segment achieved slight sales revenue growth.

In our Affiliate Marketing segment, on the other hand, we boosted sales revenue by 17.7% to € 101.0 million in the 2012 fiscal year, compared with € 85.8 million in the previous year. The number of partner programs increased by more than 28% to 2,873 and the number of participating websites by 6% to 561,000. This positive sales trend is due to the expansion of our business with major customers, and our growing internationalization. The implementation of these two growth-drivers nevertheless proceeded more slowly than expected and planned. Despite sales revenue growth significantly ahead of the market level, we failed to achieve our original ambitious growth target as a consequence. This segment's key earning figures not only reflect the effects of macroeconomic slowdown, especially in France and Spain, but also the insolvency of one major customer in Germany, which entailed it both a loss of sales revenue, and the necessity to write down outstanding receivables.

Due to the negative impacts on segments' earnings, earnings figures at Group level in the 2012 fiscal year also fell short of the previous year's figures. Specifically, the Group reported a decline in earnings before interest, taxes, depreciation, amortization and write-downs on domains (EBITDA) from € 7.6 million in the previous year to € 5.0 million. Due to the development in both segments outlined above, goodwill impairment charges of € 57.1 million were necessitated in the second quarter for the Sedo sub-group cash-generating unit (CGU), and € 3.2 million for the affilinet France CGU. As a consequence, earnings before taxes (EBT) fell from € 3.2 million in the previous year to € -56.6 million in the 2012 fiscal year. Earnings per share stood at € -1.93, compared with € -0.03 in the 2011 fiscal year.

We expect that the trend towards weaker business in Domain Marketing will continue in the 2013 fiscal year. In order to continue operating this segment profitably, we have already started in recent months to adjust our existing structures, and to focus operations on the remaining opportunities. This reorientation comprises ongoing technical optimization, greater cooperation with Google, expanding our collaboration with further advertising partners, and closer coordination with key customers. We are also planning to boost our activities in the Domain Trading segment. This is to be realized, firstly, through progressively increasing the number of tradable domains (inventory), especially the share of fixed price offers. Secondly, we aim to better address the target group of potential buyers, thereby raising the likelihood of a sale. Boosting our global reach and coverage will serve this purpose, which is to be ensured through further extending our international base, as well as the Sedo MLS network.

Tobias Flaitz
Marketing/Sales Sedo

Axel Hamann
Finance

Alexander Röthinger
Technology

Dr. Dorothea von Wichert-Nick
Marketing/Sales affilinet

Our aim in Affiliate Marketing in 2013 is to continue to pursue our growth strategy with a further strengthening and closer intermeshing of our international activities, as well as the targeted further development of our platform through data-driven innovations. Our cardinal priority in this context is to further strengthen and expand our leading position in service quality.

For the 2013 fiscal year, the Management Board expects sales revenue to grow by around 10% compared with the 2012 fiscal year (2012 sales revenue: € 132.7 million), which is to be driven primarily by good growth in the Affiliate Marketing segment, and earnings before taxes between € 4.0 million and € 5.0 million. Based on an assessment of the current market, the management anticipates rising revenue and earnings contributions in the 2014 fiscal year.

Cologne, March 7, 2013

The Management Board

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

Report of the Supervisory Board for fiscal year 2012

The Supervisory Board comprises the following members:

- Michael Scheeren (55), qualified banker (Chairman)
- Andreas Gauger (45), businessman
- Tim Schumacher (36), business studies graduate (since June 6, 2012)
- Ralph Dommermuth (49), CEO of United Internet AG (until June 6, 2012)

In the 2012 fiscal year, the Supervisory Board of Sedo Holding AG fulfilled the duties incumbent upon it pursuant to the law, the Company's articles of association and rules of business procedure, consulted regularly with the Management Board in the management of the Company, and monitored its management activities. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. The Management Board provided us with regular and comprehensive reports, both written and verbal, including between meetings, about all relevant strategy questions, corporate planning and strategic development, as well as the development and progress of business, planned and current investments, the status of the Company, its risk exposure, the risk management system, and compliance issues. The Management Board regularly discussed the Company's strategic alignment and significant events with the Supervisory Board. The Management Board presented us with a comprehensive report on a quarterly basis about the course of business, the development of sales and earnings, and the status of the Company and its business policy. The reports of the Management Board satisfied the requirements made on them by the law, the principles of good corporate governance and by the Supervisory Board, not only in terms of their content, but also their scope. All reports were made available to all Supervisory Board members. The plausibility of the reports and other information provided by the Management Board were checked as well as critically appraised and scrutinized by the Supervisory Board.

The Supervisory Board was also kept regularly informed about the internal controlling system, Group-wide risk management and internal auditing system established by the Management Board. On the basis of its examinations the Supervisory Board has come to the conclusion that the internal controlling system, Group-wide risk management and internal auditing system are effective and functional.

The Supervisory Board consists of three members and has not formed any committees. There is no knowledge of conflicts of interest on the part of a Supervisory Board member.

Sedo GmbH concluded a consulting contract with Mr. Gauger on August 19, 2011. Mr. Gauger thereby supports Sedo GmbH in the practical realization of the measures resulting from the new strategy and their implementation in operative business operations. Excluded from this are such activities which fall into Mr. Gauger's area of responsibility as a Supervisory Board member of Sedo Holding AG. Consultancy services were rendered with a value of € 3k in the 2012 fiscal year (previous year: € 17k).

In addition to legally-required regular reporting, the following particular topics have been intensively discussed and examined:

- The separate and consolidated accounts for the 2011 fiscal year
- The invitation and the agenda items for the 2012 Annual Shareholders' Meeting with resolution proposals
- The remuneration report to be presented by the Chairman of the Supervisory Board, the report of the Supervisory Board to the Shareholders Meeting as well as the corporate governance report for the 2011 fiscal year
- The determination of the target achievement of the Management Board in the 2011 fiscal year and the agreement on targets for the 2012 fiscal year
- Extending the Management Board appointment of Mr. Alexander Röthinger
- Impairment losses at affilinet France and the Sedo sub-group
- Presentation of the medium-term budget and approval of the overall budget for the Sedo Holding Group for the 2013 fiscal year
- The current implementation status of the strategy project
- Current status at the affiliated companies of Sedo Holding AG
- Discussions about potential acquisitions
- Discussions about the most important technical projects
- Strategic topics relating to corporate organization and important personnel subjects
- Meeting dates and the financial calendar for the 2013 fiscal year

Meetings and participation

Four Supervisory Board meetings were held during the 2012 fiscal year, at which the Management Board informed the Supervisory Board in detail about the economic situation and development of the Company and the Group as well as about important business transactions. The Supervisory Board was fully represented at all of the meetings. In addition, further resolutions were passed outside the meetings by means of circular written consent.

Corporate governance

The Supervisory Board continuously monitors the further development of corporate governance at Sedo Holding AG. The latest compliance declaration in accordance with Section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Government Commission on the German Corporate Governance Code was submitted by the Supervisory Board together with the Management Board on March 7, 2013, and made permanently available to the Company's shareholders on the website as well as in the Federal Gazette.

The German Corporate Governance Code recommends that supervisory boards should set specific objectives for their composition, taking into account the Company's specific situation, the Company's international activity, potential conflicts of interest, an age limit to be established for supervisory board members and diversity, and, since June 15, 2012, also the number of independent supervisory board members in the meaning of Section 5.4.2. In particular, these specific objectives should include an adequate participation by women. Supervisory Board proposals to relevant election bodies should take these objectives into account. The objectives of supervisory boards and the status of their implementation should be published in a corporate governance report.

The Supervisory Board members elected as part of the Annual Shareholders' Meeting of June 6, 2012 are appointed until the end of the Annual Shareholders' Meeting which approves the discharging of the Supervisory Board members for the 2016 fiscal year. Since specific new Supervisory Board election proposals are not required to be made to the Annual Shareholders' Meeting until the medium term with the scheduled election of new Supervisory Board members in 2017, it seems inappropriate today, without knowing the changes that might occur to the regulatory environment or to the Company's market conditions, to already formulate specific objectives for this purpose. The Supervisory Board will carefully monitor developments, and in good time before the next scheduled reappointment of the Supervisory Board decide on the recommendations of the Code with regard to the specific objectives and their implementation within the scope proposals by the Supervisory Board to the Annual Shareholders' Meeting, as well as reporting.

Management Board personnel changes

With its resolution of November 28, 2011, the Supervisory Board appointed Mr. Tobias Flaitz as Management Board member responsible for Marketing and Sales at Sedo. With effect from February 1, 2012, he succeeds Mr. Tim Schumacher who left the Management Board for personal reasons as of December 31, 2011.

Supervisory Board personnel changes

The Supervisory Board was re-elected as part of the Ordinary Annual Shareholders' Meeting on June 6, 2012. At the proposal of United Internet AG, the Supervisory Board of Sedo Holding AG proposed the election of Mr. Tim Schumacher as a new Supervisory Board member; Mr. Schumacher stepped down from the Management Board at the end of 2011. Besides appointing Mr. Schumacher, the Annual Shareholders' Meeting by a large majority re-elected Supervisory Board members Mr. Michael Scheeren and Mr. Andreas Gauger to the Supervisory Board. Mr. Ralph Dommermuth was also elected to be a deputy member. Mr. Dommermuth would replace a member who first stepped down from the Supervisory Board before the end of their regular period of office. The Supervisory Board appointed Mr. Michael Scheeren to be its Chairman at its constitutive meeting. The Supervisory Board members are elected for a period of office until the conclusion of the Annual Shareholders' Meeting that approves the discharge of the Supervisory Board members for the 2016 fiscal year. The Company thereby underlines the continuity of the Supervisory Board's work.

Discussion of the separate and consolidated financial statements 2012

The Annual Shareholders' Meeting of Sedo Holding AG held on June 6, 2012, appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, with registered office in Eschborn/Frankfurt am Main, as auditors for the 2012 fiscal year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the accounting system, the separate financial statements of Sedo Holding AG, the consolidated financial statements according to IFRS, and the combined management report for Sedo Holding AG and the Group for the 2012 fiscal year. Within the context of the annual audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the Company's risk management system was also audited and analyzed. The auditor did not determine any significant weaknesses of the internal controlling system, the risk management system as well as the accounting processes. The auditor awarded an unqualified certificate in each case.

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

The aforementioned financial statements and the auditor's report were presented to all Supervisory Board members on time. The auditor participated at the Supervisory Board's financial accounts meeting on March 18, 2013, and reported on its audits and key audit results, explained its audit report, and responded to questions from Supervisory Board members. Following its own inspection, the Supervisory Board came to the conclusion that the annual financial statements, the combined management report, the consolidated financial statements and the auditor's report gave no cause for objections. The Supervisory Board shares the auditors' assessment that the internal controlling and risk management system, especially with respect to the financial accounting process, exhibits no significant weaknesses. With a resolution on March 18, 2013, the Supervisory Board approved the separate financial statements of Sedo Holding AG as prepared by the Company on March 7, 2013, and the consolidated financial statements according to IFRS also prepared on March 7, 2013, for the 2012 fiscal year. The annual financial statements are consequently adopted pursuant to Section 172 of the German Stock Corporation Act (AktG).

Audit of the Management Board's dependent company report

The Management Board presented in good time to the Supervisory Board its report on relationships with dependent companies (dependent company report) for the 2012 fiscal year, which it had prepared.
The report of the Management Board about relations with affiliated companies was also examined by the auditor. The auditor awarded the following certificate to the report of the Management Board:

> "According to the final result of our audit we raise no objections against the dependent company report. We therefore, award it the following certificate:
>
> Following the audit and evaluation which is incumbent upon us we confirm that
> 1. the details stated in the report are accurate,
> 2. in the case of the legal transactions listed in the report, the Company's payment was not inappropriately high,
> 3. in the case of the actions listed in the report, no circumstances suggest a significantly different assessment than that of the Management Board."

The auditor presented its audit report to the Supervisory Board. The dependent company report and audit report were presented to be Supervisory Board in good time. The Supervisory Board examined the Management Board's dependent company report and the audit report. The Supervisory Board held its conclusive examination at its meeting on March 18, 2013. The auditor also participated at this meeting, reported on its audit of the dependent company report and its key audit results, explained its audit report, and responded to questions from Supervisory Board members. Following the conclusive results of its examination, the Supervisory Board approved the Management Board's dependent company report and the audit report, and has no objections to raise against the Management Board's statements at the end of the report.

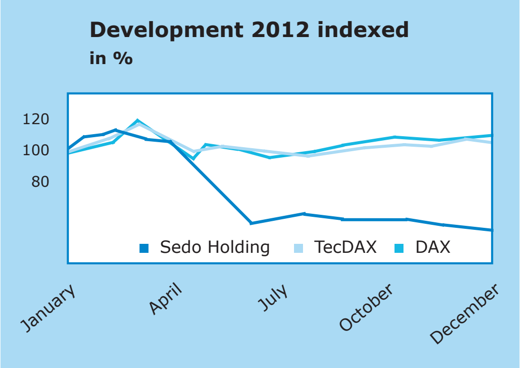
The Supervisory Board would like to thank the Management Board and all employees for their great commitment in the 2012 fiscal year.

Cologne, March 18, 2013

For the Supervisory Board
Michael Scheeren

		2012	2011
Market capitalization (as of 31.12.)	€ million	41.7	80.7
Number of Shares		30,455,890	30,455,890
Year-end	**€**	**1.37**	**2.65**
Year-high	€	3.17	4.65
Year-low	€	1.37	1.99
Free float	%	15.10	15.76

ISIN	WKN	Symbol
DE 000 549 015 5	549 015	SDO



The Share of Sedo Holding AG

As of December 31, 2012, the Sedo Holding AG share price stood at € 1.37, compared with € 2.65 at the end of the previous year. Reporting a 48.3% decline, the share consequently underperformed the overall market (DAX: +29.1%). The market capitalization reduced correspondingly from € 80.7 million at the end of 2011 to € 41.7 million at the end of the 2012 fiscal year.

Annual Shareholders' Meeting

The 2012 Annual Shareholders' Meeting was held at the Company's registered office in Cologne on June 6, 2012. A total of 89.95% of the Company's share capital was represented. The meeting voted on the discharge of the members of the Management and Supervisory boards, and the appointments of the auditors of the separate and consolidated financial statements, as well as the election of the Supervisory Board members. The shareholders approved all points on the agenda requiring resolution with over 99% of their votes.

Capital stock

The Company's capital stock as of December 31, 2012, stood at € 30,455,890, divided into 30,455,890 registered shares, with an equal number of voting rights.

Investor relations

The Company's management team and the investor relations department provided the capital market with regular information about the Company's development in the 2012 fiscal year. Detailed information about the Company was provided within the context of the annual report and the quarterly reports, as well as at press and analyst conferences. In addition, information on strategy and financial results was provided in personal discussions. Sedo Holding AG also offers all interested parties unrestricted access to its latest financial figures and other economically relevant information about the Company on its website at www.sedoholding.com.

Sedo Holding Group operates leading marketplaces for performance advertising and domains on the Internet

The Sedo Holding Group is an independent provider of performance-based marketing solutions on the Internet. Its unifies the two leading marketplaces for affiliate and domain marketing on the Internet: in this context, the affilinet brand stands for affiliate marketing, and the Sedo brand for Sedo Holding’s domain marketing business. The Sedo Holding Group is represented with its own branch offices in five European countries: Germany, France, Spain, the UK and the Netherlands, as well as in the USA.

Based on a high importance of the Internet as an information channel, it is becoming increasingly relevant to reach people through this medium. It is no longer only television or the daily newspapers that encourage consumers to further inform themselves or to make purchases online, but rather the Internet itself has become part of daily life with services such as Facebook, YouTube and Twitter. Users navigate and explore virtual worlds, and must be approached there with offers without media gaps. For image and advertising campaigns, in particular, the Internet is now indispensable as a means of access to respective target groups.

Our marketplaces

Measurable success through performance marketing

The number of Internet users and the time they spend on the Internet continues to increase. The advancing dissemination of high-performance broadband Internet connections and mobile phone networks, and the related billing of data flat rates, are also making a contribution in this context. Consumers who surf on the Internet in increasing numbers and for longer periods can more frequently be addressed with individualized advertising. Online campaigns set themselves apart from classic advertising through the Internet medium’s interactivity and direct measurability. In addition, the tools employed for planning, tracking, reporting and optimization are steadily becoming more efficient. These developments lead to advertising on the Internet offering real added value compared with the classic advertising forms – and its share of the total advertising market continues to grow.

affilinet – Affiliate Marketing

affilinet
OUR MISSION: YOUR SUCCESS

Leading European affiliate network

Advertisers

- Over 2,500 programs, many of them exclusive

Agencies

- Top European agencies
- Service dedicated to agencies

Publishers

- Over 500,000 affiliate websites accross Europe
- All key business models
- Exclusive publisher websites and inventory

Excellent customer service

- Proactive consultancy to optimise ROI
- Proactive customer service
- Experts in all key industries and publisher business models
- Control team guarantees high quality traffic

Integrated technology

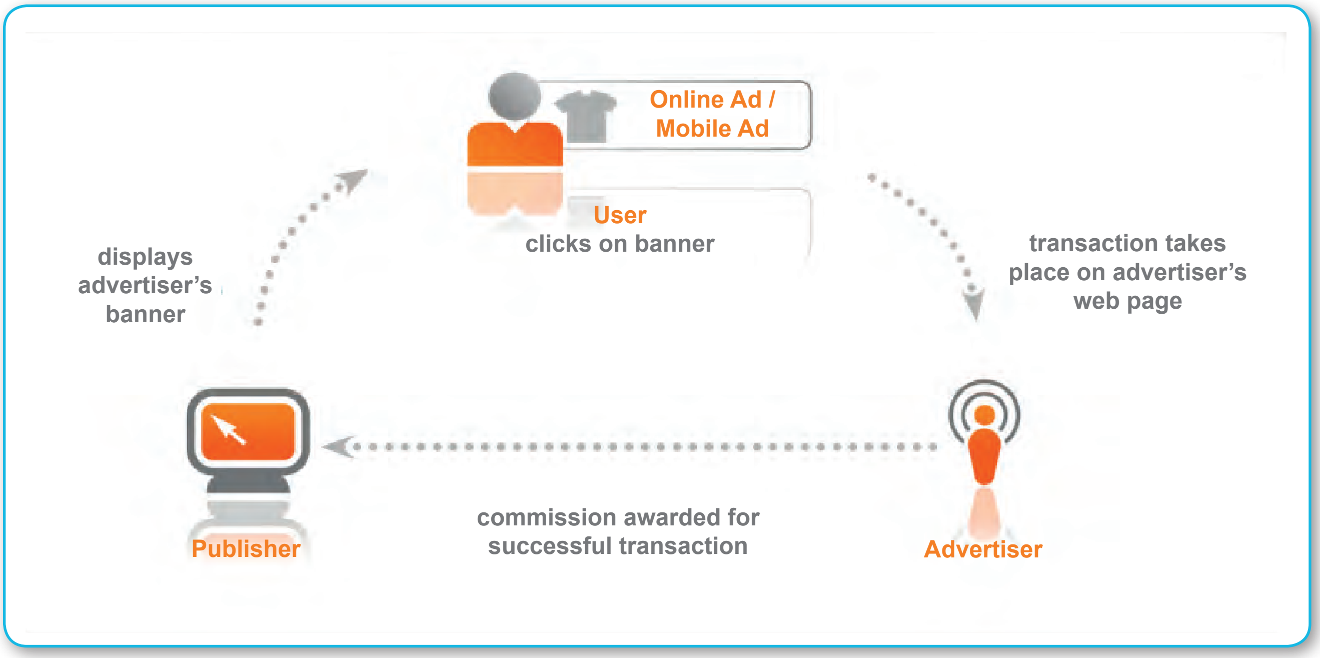
- Transparent and flexible tracking technology
- State of the art reporting and management interface
- Progressive product development reflecting customer needs and market trends

Affiliate Marketing – in other words, marketing with the aid of online partnerships – is one of the strongest channels in online marketing. This business is based on our highly automated and scalable quality platform – www.affili.net. With its performance marketing solutions, the platform acts as a mediator between online advertisers as providers of partner programs and website owners (publishers) as registered sales affiliates. affilinet is represented in important European markets with offices in Germany, France, Spain, the UK and the Netherlands. The affiliate network currently comprises around 561,000 publisher websites and 2,873 affiliate programs.

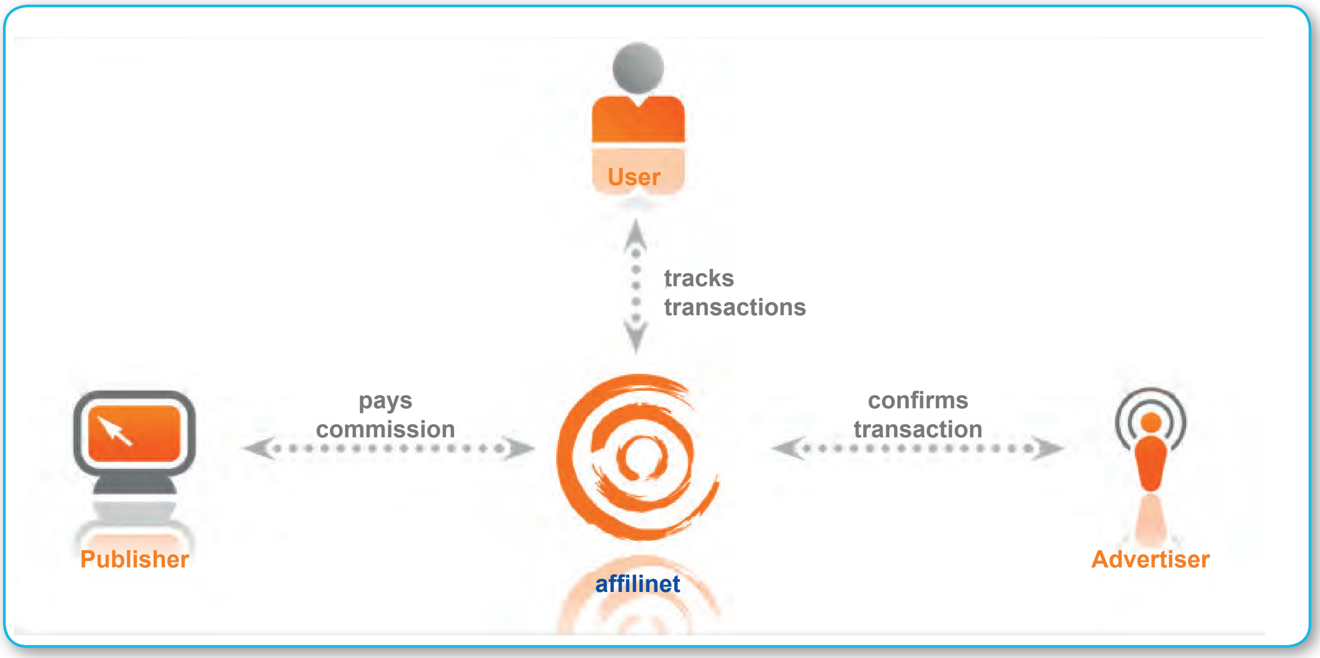
affilinet acts as a mediator between advertisers, who seek to sell their products online, and website owners who promote the advertisers' goods with target group-specific content designed to acquire customers. Publishers can choose freely from the affiliate programs on offer. Their choice depends on the program's attractiveness or affinity with the website's content. affilinet provides advertisers with online access to administer their advertising – the better the advertised product fits to the website's target Group, the easier it is for publishers to generate attractive commissions. By targeting potential customers through corresponding websites, advertisers are able to build up virtual online sales networks across a wide variety of websites.

The affilinet platform offers advertisers and publishers all the tools and functionalities they need for efficient and successful affiliate marketing, such as ad hosting, product database, comprehensive reporting tools and web services. affilinet itself handles tracking, administration, payment management and fraud control, as well as extensive support services for developing and optimizing advertiser programs and enhancing publisher earnings. Publishers are remunerated for their services on a commission basis – in other words, pay-per-click, pay-per-lead or pay-per-sale.

The business model



The combination of high reach and coverage matched by targeted marketing achieves impressive sales results for advertisers. They also benefit from affilinet's professional approach, as well as its flexible product and excellent service. By providing advertising space on their websites, publishers receive remuneration which helps finance the provision of content on their pages.



Affiliate Marketing		December 31, 2012	December 31, 2011	Change in %
Sales revenue	in € million	101.0	85.8	17.7
Contribution	in € million	-0.9	-1.1	-
Contribution (adjusted)*	in € million	2.3	2.4	-4.2
Employees		183	169	8.3
Partner programs		2,873	2,238	28.4
Websites		561,000	529,000	6.0

* before goodwill impairment

Case study: Successful Affiliate-Marketing of 1&1

1&1 Internet AG is a leading Internet-provider with over 11 million customer contracts, and serves private individuals, business people and freelancers with a comprehensive range of mature and refined online applications. The product range extends from webhosting (websites, domains, online shops, payment systems) through faster DSL connections and telephony all the way through to Personal Information Management through the Internet. The 1&1 products are supplemented by attractive bundles with software and hardware.

1&1 launched its first affiliate program at affilinet in autumn 2003. For 1&1, affiliate marketing is an ideal channel for the acquisition of new customers and for increasing sales. The great variety of publishers and close contact to relevant publishers at affilinet facilitate very high coverage, and simultaneously a specific approach to the right target group for 1&1's offers.

Related measures included the expansion of publisher acquisition through a targeted direct approach, and newsletter and promotion campaigns. The introduction of special incentive measures and attractive payment models, especially for top affiliates, proved critical to success. affilinet succeeded in becoming an important marketing partner for one of the leading Internet providers through the development and expansion of a product-based advertising material portfolio making use of innovative advertising formats (PagePeel, video ads, microsites, newsletter templates, DSL and domain availability checks).

In the course of the long-standing cooperation with 1&1 Internet AG, strong growth was generated with new 1&1 customers. Moreover, the complexity and continuous further development of the 1&1 product portfolio repeatedly offers new opportunities to further extend the affiliate channel. A considerable share of new customers was generated, for example, through the introduction of new tariffs for mobile Internet and mobile telephony through affilinet. Here again, particularly close cooperation and coordination between 1&1 and affilinet is the precondition for repeatedly conducting optimization measures over the entire range the 1&1 offerings and quickly responding to publishers' demands.

Finally, regular optimization of the complex 1&1 compensation structure leads to stable and long-term relations with publishers. This high level of commitment pays off for all sides: the 1&1 partner program is one of the strongest-selling in the entire affilinet network.

Sedo – Domain Marketing

In its Domain Marketing segment, Sedo provides a global platform for the trading of domains. With sites in Germany, the UK and the USA, Sedo offers a range of services relating to domains through its international website www.sedo.com. Sedo provides tools for buying, selling, valuing and monetizing domains in this context. At the end of 2012, some 1.5 million members around the world were registered and 14.9 million domains were offered for sale. Around 3.8 million domains are available in the performance-based Domain Parking area.

The aim of the trading platform is to bring together domain buyers and sellers, or to successfully market domains. Buyers wish to easily select the most suitable domain name for their purposes from our extensive database. Sellers are interested in achieving the best possible price for the domains they offer, and in presenting them to the largest possible number of interested parties. As part of Domain Parking, Sedo brings together advertisers, or agencies, and domain owners in order to link domain names with the most suitable advertising content.

The buying and selling of domains is processed through the trading platform. This can be in the form of choosing a buy-now option, negotiations between buyers and sellers, or through auctions. It is also possible to entrust negotiations to Sedo's professional brokers. This solution is used mainly if a domain name is already occupied and not offered for sale. As part of its domain appraisal service, Sedo offers expert evaluations of a domain's value based on scientific criteria. Sedo's domain transfer service ensures safe and professional processing of domain transfers on behalf of the buyer and seller.

Domain Marketing		December 31, 2012	December 31, 2011	Change in %
Sales revenue	in € million	31.7	38.6	-17.9
Contribution	in € million	-54.6	4.7	-
Contribution (adjusted)*	in € million	2.5	4.7	-46.8
Employees		153	168	-8.9
Domains	in million	14.9	15.7	-5.1
Marketable domains	in million	3.8	4.4	-13.6
Registered members	in million	1.5	1.4	7.1

* before goodwill impairment

Successful website monetization with Sedo

With its domain parking product, Sedo gives users the opportunity to bridge the time until their domain is sold, and at the same time monetize the domain by parking it for free and offering it for advertising purposes. This enables domain owners to earn money while waiting, and also receive detailed statistics which can help during sales negotiations.

An Internet user, for example, who visits the Internet page “zins.de” immediately finds so-called “sponsored links” on the topics of loans, interest rates and financing displayed there, if the owner of the domain has set a corresponding keyword.

Financial service providers and banks can be advertising customers here. For example, in connection with the keyword “zins” (“interest” in German), these run target-group-specific advertising through an advertising mediator which is then displayed on the previously unutilized domain. With a click on one of these advertising links, users reach the page of the advertising partner and can find more information about the offer they are looking for.

Management report

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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: in this context, the affilinet brand stands for Affiliate Marketing, and the Sedo brand for Sedo Holding AG's Domain Marketing business.

The Sedo Holding Group is represented with its own branch offices in five European countries – Germany, France, Spain, the UK, and the Netherlands – and in the USA. affilinet as a European specialist for Affiliate Marketing offers an effective digital sales channel to online advertisers, and attractive business opportunities to publishers. 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 trends

The International Monetary Fund (IMF) downgraded its global economic growth forecast several times over the course of 2012. The IMF most recently calculated that the **global economy** grew by 3.2% in 2012 (compared with 3.9% in the previous year), in its last update to its World Economic Outlook published on January 23, 2013. This is a 0.3 percentage points less than the IMF had predicted in its April 2012 forecast. Weaker-than-expected global economic growth is especially attributable to the debt crisis in Europe and the economic slowdown in the USA, as well as related uncertainties.

In 2012, global economic growth was driven primarily by emerging and developing countries, which reported 5.1% growth, compared with 6.3% in the previous year. Growth proved significantly weaker in the developed economies of Europe, North America and Japan, at 1.3%, compared with 1.6% in the previous year.

As far as the **Eurozone** is concerned, the IMF identified the occurrence of a recession in 2012 with a 0.4% decline in economic output, 0.1 percentage points more than it had forecast in its April 2012 forecast. Eurozone heavyweights Spain and Italy, in particular, contributed to this negative trend, with both countries experiencing sharp recessions in 2012, according to the IMF.

For **Germany**, the IMF calculated that the economy grew by 0.9% in 2012. Although this is 0.3 percentage points better than the IMF predicted in its April 2012 forecast, it is also 2.2 percentage points less than the German economy registered in 2011. Economic experts regard this slowdown as being especially due to the weakening of the global economy, and its negative impact on the traditionally-strong German export sector.

Global advertising market returns to faster growth

In its current "Advertising Expenditure Forecast", the ZenithOptimedia media agency forecasts a growth acceleration for the global advertising market for the next three years. Growth amounted to 3.3% in 2012, with emerging and developing countries, and the Internet advertising medium acting as drivers.

German advertising market despite the Euro crisis

The German advertising market defied the Euro crisis, remaining stable in 2012, according to data produced by Nielsen Media Research. Gross advertising spend even grew by 0.9% to € 26.2 billion. A good start was made to year with 3.7% year-on-year growth in the first quarter of 2012, although the third quarter of 2012 was the weakest and most disappointing. Expectations of the third quarter had been significantly higher, mainly due to the perception of the Olympic Games as an attractive advertising platform.

The online advertising market delivered a very positive surprise, reporting 17.3% growth in 2012, thereby outpacing the total gross advertising market. In particular, advertising on mobile media is gaining significance, partly due to the advancing penetration of smartphones. This relatively young market garnered € 56 million of advertising expenditures, with Nielsen Media Research expecting the trend to continue in 2013.

Online advertising market continues very dynamic growth

The online advertising market broke through the € 6 billion barrier in 2012, growing 13% to € 6.5 billion, according to data published by the German Circle of Online Marketers (OVK). The Internet thereby extended its lead ahead of print media, and its position as the second-strongest advertising medium in the mix.

In this connection, the online advertising market breaks down into three key segments:
- classic online advertising
- search engine marketing and
- affiliate networks

For Sedo Holding AG, the segments of search engine marketing, as a specific market environment for Sedo in the domain parking area, and affiliate networks as a relevant market for affilinet, are of decisive importance. Around € 2.3 billion was attributable to search engine marketing in 2012, representing approximately 10% growth in the market of relevance for domain marketing under the Sedo brand. In the market relevant for affilinet, affiliate networks, gross advertising investments amounted to around € 0.4 billion, up by 10%. Most advertising expenditure continues to flow into classic online advertising, however, with advertising investments growing by around 15% year-on-year to € 3.8 billion.

Sedo regularly publishes studies on the domain secondary market and reports on the latest market trends. The secondary market for domains is relatively stable, whereby 2012 reported a slight decline with 36,181 domains sold through Sedo (previous year: 39,951), according to a study it published on the domain secondary market for 2012. The average price of a domain decreased to € 1,463 in 2012, compared with € 1,516 in the previous year. The top sale in the 2012 fiscal year was the sale of the webhosting.co.uk domain ($ 0.5 million), a considerable decline compared with the previous year's top sale of gambling.com ($ 2.5 million).

Measurable success through performance marketing

The number of Internet users and the time they spend on the Internet continues to grow. The progressive spread of efficient broadband Internet connections and mobile phone networks, and the booking of data flat rates associated with it, is also making a contribution in this context. Consumers who surf on the Internet in increasing numbers and for longer periods of time can often be better addressed through individualized advertising. Online campaigns set themselves apart from classic advertising through the interactivity and direct measurability offered by the Internet medium. In addition, the tools employed for planning, tracking, reporting and optimization are steadily becoming more efficient. These developments are the reasons why advertising on the Internet offers tangible added value compared with the classic advertising forms – and why its share of the overall advertising market continues to grow.

3. Business trends

Employees

Every company is strongly characterized by its culture. Corporate culture at the Sedo Holding Group is distinguished by transparency, cultural diversity, international dialogue and social values. All Group staff members contribute with their individual talents, strengths and ideas to achieve an optimal overall result for our customers. Our employees' individuality and cultural diversity are supported.

Experiencing internationality

With staff from more than 30 different nationalities within Sedo Holding AG, we serve the decidedly differing demands of our highly international customer base. Such service is delivered through offices in five European countries and the USA, which communicate and interact daily, and whose staff also regularly travel between our locations. Consequently, "intercultural expertise" topics play a special role for Group staff. We launched our Exchange Program to additionally foster such capacities. It is enjoying strong demand. The program provides intensive support to our staff for a period of up to three months while they work in an office abroad.

Training & employee development

In filling vacancies, great value is attached to striking 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 expanding of existing knowledge and abilities. In addition, employees are also supported on their personal career path through internal job changes or specialization.

Due to very specific and rapidly developing nature of the business, it is imperative that Sedo Holding Group employees continue to be trained "on the job". This is realized 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 different specialist departments. The regular opportunity to attend relevant trade fairs and conventions is also granted to our employees, in order to enter into dialogue with external specialists, and continue their personal training.

Management training courses are organized for employees at team manager level. An established management curriculum is designed to prepare the managers in the Group, including for 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 program.

For the Sedo Holding Group, as an innovative Company, young people with commitment and creative ideas are important. For this reason, we have been training school-leavers since 2002. They are offered the opportunity to take an active part in the daily business and to learn to act independently.

Trend in employee numbers

The Sedo Holding Group employed a total of 345 staff as of December 31, 2012, the same number as in the previous year. In Germany, the year-end number of staff decreased from 242 in the previous year to 241. The number of employees in the foreign companies rose from 103 to 104.

Within the two business segments, Affiliate Marketing employed 183 staff (previous year: 169), and Domain Marketing 153 (previous year: 168). The parent company employed a total of nine staff as of December 31, 2012 (previous year: eight).

Personnel expenses increased from € 18.8 million in the previous year to € 20.3 million (+8.0%), which was due to the increase in average staff numbers (2012: 349 employees; 2011: 341 employees), the proportional medium-term bonus for the four Management Board members for which a provision was formed for the first time in the 2012 fiscal year (€ 0.4 million), and, in the previous year, a positive one-off effect of € 0.3 million, arising from the derecognition of lapsed virtual stock options which was booked under personnel expenses.

Segment business trends

Affiliate Marketing (affilinet)

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

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

In our Affiliate Marketing segment, we boosted sales revenue by 17.7% to € 101.0 million in the 2012 fiscal year, compared with € 85.8 million in the previous year. Growth-drivers in this context included the expansion of our business with major customers, and growing internationalization. Despite the positive sales effects, impulses on both sides lagged expectations. After all planned activities with major customers were implemented and had started up in the third quarter, the market in France and Spain worsened markedly as a countervailing and almost simultaneous effect. Especially retailing in these countries felt the impact of a reticence to spend due to the macroeconomic slowdown. In addition, Sedo Holding AG lost an important advertiser due to the insolvency of Neckermann, not only thereby foregoing sales, but also needing to expense € 0.3 million of write-downs for pending payment defaults.

The cost of sales increased by 19.4% year-on-year to € 86.7 million (previous year: € 72.6 million). The rise in the cost of sales ratio resulted from the changing customer structure and a shift in the regional distribution of sales revenue.

Since – contrary to original expectations – no turnaround to profitability could be realized at affilinet France in the first half of 2012, an extraordinary goodwill impairment charge of € 3.2 million was required at the affilinet France cash-generating unit (CGU) as of June 30, 2012.

The EBIT-like earnings indicator "contribution" (please refer to Note 39 Segment reporting) amounted to € -0.9 million in the year under review, compared with € -1.1 million in the previous year. Contribution adjusted for one-offs stood at € 2.3 million (previous year: € 2.4 million).

The number of available affiliate programs grew by 28% from 2,238 at the end of 2011 to 2,873 as of December 31, 2012. The number of participating websites increased over the same period from 529,000 to 561,000 (+6%).

Domain-Marketing (Sedo)

Sedo is the specialist for Domain Marketing within the Sedo Holding Group. With offices in Germany, the UK 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 its Domain Marketing segment, the Sedo Holding Group reported a 17.9% revenue decline from € 38.6 million in the previous year to € 31.7 million in the 2012 fiscal year, with the Domain Parking business registering a weakening trend over the course of the year. After this development accelerated in the second quarter, the Company was prompted to fundamentally revalue its parking business, not only due to the sharp drop in the overall market, but also because of growing competition from new and price-aggressive providers. Advances in browser technologies are also exerting a greater impact, bringing with them more difficult monetization conditions in the parking business. Sedo Holding AG now concentrates its efforts on adjusting structures in its parking business in order to continue the segment profitably, and to exploit the opportunities on offer. The cost of sales fell by 13.9% from € 24.5 million in the previous year to € 21.1 million in the period under review.

Goodwill impairment charges of € 57.1 million were required at the Sedo sub-group cash-generating unit (CGU) in the first half of 2012 due to the developments in the parking business described above.

Contribution (please refer to Note 39 Segment reporting) amounted to € -54.6 million in the 2012 fiscal year, compared with € 4.7 million in the previous year. Contribution adjusted for one-offs stood at € 2.5 million.

The number of domains tradable on the platform fell to 14.9 million as of December 31, 2012, following 15.7 million as of December 31, 2011. In addition, around 3.8 million domains are available in the segment of performance-based domain parking for marketing purposes. The number of registered members of € 1.5 million as of December 31, 2012 was at the previous year's level.

4. Innovation and product development

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 decentralized basis. Both specialist business segments thereby work independently of each other on solutions which are optimally coordinated for the respective market. As a result, the Company is able to quickly and flexibly develop new ideas ready for the market and to react to trends. Synergies in the IT infrastructure and knowledge transfer segments are also exploited to realize developments cost-effectively. The teams are constantly further developing already existing products, and adjusting them to market requirements.

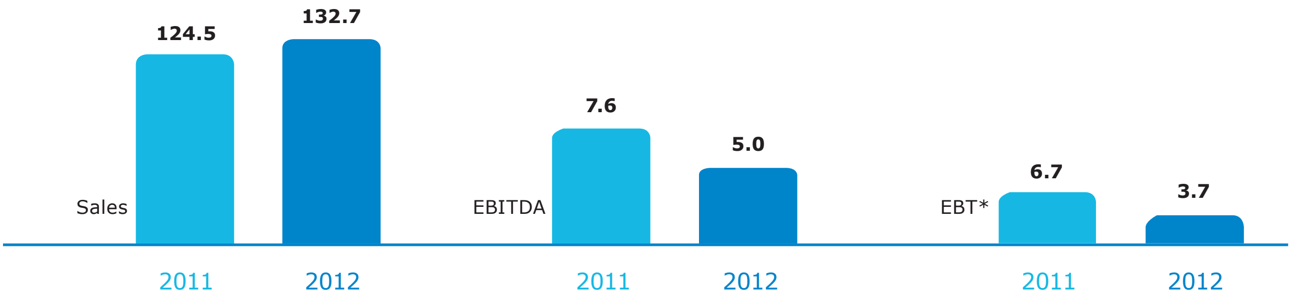
affilinet operates one of Europe's leading affiliate networks. The basis of this network is a scalable and innovative platform which we have purposefully developed ourselves over several years, and which provides all the necessary functions for program and partnership management, tracking, reporting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

The focus in Affiliate Marketing lies especially on innovations to optimize advertising delivery and the automation of the platform. The aim is to make performance marketing not only accessible to major customers, but also to all other market participants, and to offer an efficient tool. To this end, the following reference projects were concluded in 2012: firstly, the implementation of a data warehouse as the basis for the automation and qualitative enhancement of reporting, benchmarking and the development of a new generation of data-driven innovations. Secondly, the "Match Master", which utilizes intelligent algorithms to help each advertiser better identify appropriate publishers in the affilinet network. The algorithm is capable of learning, analyzes the success of previous networking activities, and also develops optimized recommendations.

As a 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 core of trading activities is formed by the international domain marketplace developed by us over many years at www.sedo.com. Within Sedo, a team consisting of business analysts and product managers in the core Domain Trading and Domain Parking segments is pushing ahead with permanent optimization of a product portfolio that is consistently oriented to core markets' requirements. The internal development department ensures that delivery meets requirements, while constantly optimizing time-to-market. In Domain Trading, the focus lies on constantly improving the usability of all trading processes, boosting functionality through innovation, and enhancing seller and buyer range through expanding the SedoMLS network, for example. The so-called "Pricer" to assist in the improved the valuation of domains provides one example of an innovation in trading, representing a USP on the market. In Domain Parking, the focus is on permanently optimizing traffic monetization.

5. Results of operations, financial position and net assets

Consolidated figures in € million



* before one-offs

Results of operations

At € 132.7 million in the 2012 fiscal year, Sedo Holding generated 6.6% higher sales revenue than in the previous year (€ 124.5 million). The growth-drivers in the individual segments have been described in the description of the segments' business developments above.

Due to a change in the sales revenue mix as a consequence of stronger growth in low-margin (compared with Domain Marketing) Affiliate Marketing, the gross margin fell from 22.0% in the previous year to 18.8%. Gross profit was down from € 27.3 million to € 24.9 million accordingly.

Selling and marketing expenses amounted to € 13.3 million compared with € 12.8 million in the previous year. General and administrative expenses were down slightly from 8.0 million to € 7.7 million, with the previous year including consultancy expenses for a strategy project. Other operating expenses of € 4.1 million (previous year: € 5.9 million) and other operating income of € 3.8 million (previous year: € 5.7 million) result from currency effects, in particular. As a gross figure is necessary for both items, they are shown individually.

Overall, the Group reported earnings before interest, taxes, depreciation, amortization and write-downs on domains (EBITDA) of € 5.0 million in the 2012 fiscal year after € 7.6 million in the previous year (-34.2%).

The net interest result fell from € 0.4 million to € 0.2 million year-on-year, which was mainly due to the vendor loan which was granted to Hi-Media, and which this company repaid in June 2011.

Due to the development in both segments outlined above, goodwill impairment charges of € 57.1 million were necessitated in the second quarter of 2012 for the Sedo sub-group cash-generating unit (CGU), and € 3.2 million for the affilinet France CGU. As a consequence, earnings before taxes (EBT) stood at € -56.6 million, compared with € 3.2 million in the previous year. After deducting € 2.3 million of taxes on income (previous year: € 4.2 million), consolidated net result amounted to € -58.9 million (previous year: € -1.0 million), equivalent to € -1.93 of earnings per share, after € -0.03 in the 2011 fiscal year.

EBT before one-offs stood at € 3.7 million (previous year: € 6.7 million – adjusted to reflect goodwill impairment. Accordingly, adjusted consolidated net income amounted to € 1.4 million (previous year: € 2.5 million – adjusted to reflect goodwill impairment charges).

Financial position

Cash flow from operating activities decreased from € 4.4 million in the previous year to € 3.3 million in the 2012 fiscal year. This results mainly from the fall in gross profit.

The net cash inflow from operating activities amounted to € 1.2 million, compared with € 3.6 million in the previous year. In terms of cash flow from investing activities, the net financing requirements stood at € 16.1 million, compared with an € 11.1 million surplus in the previous year due to the repayment of the vendor loan that was granted to Hi-media S.A. Cash flow from investing activities was primarily affected by outgoing payments for short-term loans to affiliated companies to the tune of € 15.0 million (excess liquidity invested on an overnight basis with United Internet AG).

Cash and cash equivalents totalled € 6.4 million at the end of the period under review. Together with the aforementioned overnight deposit of € 15.0 million, they amounted to € 21.4 million, slightly ahead of the previous year's level of € 21.1 million.

Net assets

Current assets were up by € 2.9 million year-on-year to reach € 40.6 million as of the December 31, 2012 balance sheet date (December 31, 2011: € 37.7 million). An increase in income tax receivables from € 0.2 million to € 1.5 million resulting from tax prepayments rendered comprised a significant change within this balance sheet item.

Goodwill fell considerably compared with the December 31, 2011 balance sheet date, amounting to €12.2 million, after €72.2 million, and resulted from the goodwill impairment losses applied to the Sedo subgroup and at affilinet France as of June 30, 2012. Overall, this reduced non-current assets from €76.9 million to €16.6 million.

Current liabilities reported a slight increase from € 22.7 million to € 24.2 million as of the December 31, 2012 qualifying date. The increase results mainly from higher trade accounts payable of € 19.5 million compared with € 18.2 million as of December 31, 2011, and a rise in other financial liabilities to € 3.0 million compared with € 2.3 million as of December 31, 2011. The latter resulted from the forming of a € 0.4 million provision for medium-term performance-related Management Board compensation, among other items.

Total assets were down from € 114.6 million as of December 31, 2011 to € 57.2 million. Based on € 32.7 million of equity (compared with € 91.7 million as of December 31, 2011), the equity ratio stood at 57.2% (December 31, 2011: 80.0%).

Separate financial statements based on German Commercial Code (HGB) accounting principles

Sedo Holding AG (Sedo Holding) is the parent company of the Sedo Holding Group.

In the 2012 fiscal year, the sales revenues of Sedo Holding amounted to € 1.8 million compared with € 2.2 million the previous year. These sales revenues are generated, in particular, by services which Sedo Holding has rendered for its subsidiaries.

Depreciation and amortization amounted to € 0.2 million, as in the previous year. Write-downs to current assets of € 4.9 million were also booked (previous year: € 0), which relate to Group-internal receivables due from affilinet Ltd. Other operating expenses were down from € 2.0 million in the previous year to € 1.3 million in the 2012 fiscal year, comprising mainly legal, consulting and auditing costs, as well as IT services. This fall is primarily attributable to lower currency translation losses.

Income from profit-transfer agreements amounted to € 0.4 million in 2012 following € 3.4 million in the previous year. These arise from the transfer of profits from affilinet GmbH, as well as in the previous year from Response Republic Beteiligungsgesellschaft Deutschland GmbH. The decline in the income from the profit transfer from affilinet GmbH resulted from the write-down in the separate financial statements of affilinet GmbH to the book value of the interest in affilinet France SAS of € 3.3 million. Expenses arising from profit transfer agreements of € 52.1 million (previous year: € 0) were also realized, and resulted mainly from the impairment charges applied to the book value of the participation in Sedo GmbH of € 50.0 million, and further Group-internal write-downs.

The profit/loss from ordinary activities in the 2012 fiscal year was € -56.8 million, compared with € 3.9 million in the previous year. The decline results essentially from the aforementioned write-downs. Taxes on income totaled € 1.4 million (previous year: € 2.8 million). Accordingly, the Company incurred a net loss of € -58.3 million, compared with a net profit of € 1.1 million in the previous year. As a result, the accumulated loss for the 2012 fiscal year stood at € -57.1 million (previous year: accumulated profit of € 1.1 million).

Total assets increased by € 3.9 million to € 106.8 million compared with December 31, 2011 (previous year: € 110.7 million). Based on € 39.5 million of equity, the equity ratio stood at 37.0%, compared with 88.3% in the previous year.

Total liabilities registered a significant increase of € 11.6 million to € 66.1 million in the 2012 fiscal year, which is attributable to liabilities of € 66.0 million due to affiliated companies, mainly due to the above mentioned effects from the profit-transfer agreement with Response Republic Beteiligungsgesellschaft Deutschland GmbH.

Fixed assets of € 84.3 million as of December 31, 2012 were at the previous year's level. Within financial assets, shares in affiliated companies (€ 50.0 million) and loans to affiliated companies (€ 34.3 million) remained unchanged compared with the previous year.

Current assets fell from € 26.2 million to € 22.4 million as of December 31, 2012, with receivables and other assets rising from € 6.5 million in the previous year to € 17.6 million. When reduced to reflect overnight deposits at € 15.0 million which this item contains, receivables and other assets fell from € 6.5 million in the previous year to € 2.6 million.

Cash on hand and deposits at banks stood at € 4.9 million, and together with the aforementioned overnight deposit totalled € 19.9 million, slightly ahead of the previous year's level (€ 19.7 million).

6. Events subsequent to the reporting date

No events occurred after the end of the reporting period which would have had substantial effects on the corporate situation of the Sedo Holding Group, especially its net assets, financial position and results of operations.

7. Remuneration report

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 one fixed and two variable components (short- and medium-term). A remuneration component also exists to provide long-term incentives in the form of convertible bonds, options and virtual options (stock appreciation rights). The amount of these remuneration components is reviewed regularly. The fixed component is paid monthly as 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 Chairperson of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. A subsequent amendment of performance targets is excluded. No guaranteed minimum payment of the variable remuneration component is granted. Promises of retirement benefits from the Company to members of the Management Board do not exist.

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 double that amount. In addition to this fixed remuneration, each member of the Supervisory Board (including the Chairperson and Deputy Chairperson) 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.

Please refer to Note 35 in the notes to the consolidated financial statements for more information about compensation for the Management and Supervisory boards.

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 and profitability. The concept, organization and tasks 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. The provisions are continually compared with changing legal conditions, and adapted or developed as required.

As part of our risk management process, risks are identified, classified and evaluated in a standardized Group-wide system with a clear allocation of responsibilities. Sedo Holding utilizes 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 position and results of operations. A company-wide risk inventory was also performed in the 2012 fiscal year.

Risk scenarios were evaluated with regard to the possible negative impact on the respective Company's pretax earnings and the related event probability. Wherever sensible, risk-limiting measures were defined for identified significant potential risks. Early warning indicators with, where 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 occurrence 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 for the 2012 fiscal year are presented in detail below:

Market and business trends

Apart from the German market, the Sedo Holding Group also operates in a number of other countries and is subject to the economic trends of these sub-markets. The respective economic trends influence consumer behavior and, as a result, the expenditure of potential advertisers and consequently the size of the total market for the Sedo Holding Group. Several countries where the Company operates are affected by the "Euro crisis". The economic situation here is clearly strained. Insolvencies among our business partners and defaults on payments associated with them have occurred, and remain 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. Sedo Holding counters such risk through intensive market monitoring and active receivables management, in order to be able to respond as quickly as possible to negative developments.

Competition

Intense competition arises from both existing competitors and new entrants to our market. They attempt to strengthen and further extend their market positions. In particular, smaller specialists can advance flexible developments in their fields, and consequently make a targeted approach to their customer bases, 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 position 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. "Time to market" is an important success factor. New tools and concepts are constantly being developed which must be made technically available and integrated into the product portfolio, for example. If we fail to exploit such technological progress, or utilize it only insufficiently, other operators might achieve better product quality, services or processes than Sedo Holding. 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 at the desired quality. We might thereby lose important advertising customers and consequently 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 cooperation ventures and by driving our own developments forwards. In addition, strategy projects targeted at product development are run at Sedo Holding Group companies.

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 we to be unable to replace them adequately, 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 position and results of operations. Sedo Holding counters such risk by providing active partner and customer support, continually improving service quality, regular improvements in service quality, the expansion of our international organization and maximizing the revenue potential of our network and domains.

Dependency on customers/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 Sedo Holding, this could lead to a serious deterioration of our net assets, financial position 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 persuasive range of products and services. The companies also endeavor to acquire new customers in order to weaken dependency on individual business partners.

Pressure on prices and margins

The current fierce competitive situation, as well as the dependence in some cases on larger business partners, increases 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 position and results of operations. The Sedo Holding Group offers innovative additional services and new high-margin products in order to counter such risk.

Currency risks

Independent subsidiaries of Sedo Holding AG operate commercially in the UK and the USA. The Company's currency risks therefore result from internal financing arrangements and operating activity. This can have an effect on our net assets, financial position and results of operations. Such risk is currently categorized as insignificant.

Liquidity risks

As of the balance sheet 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 meet all future payment obligations.

In the cash management, Group-wide demand for, and surpluses of, cash are determined centrally. The number of external banking transactions is kept to a minimum by means of Group-wide cash pooling. The Company has established standardized processes and systems to manage its bank accounts and internal charging accounts, as well as to conduct automated payment transactions.

Goodwill

Goodwill is determined based on the cash-generating units at the end of the year and management assumptions. Should an assumption made for a cash-generating unit deteriorate, this could lead to impairment charges.

Legislation

Legal experts constantly monitor new legislation and precedents for the Sedo Holding Group. In most countries where the Sedo Holding Group operates such new legislation and legal precedents are changing constantly 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, uncertainties still exist in these areas. The possibility cannot be ruled out that certain market players may attempt to exploit such uncertainties to their advantage.

Developments in the regulation of cookies at European level are also being monitored intensively. Depending on the status of the implementation of regulations into respective national legislation, our respective companies face differing requirements in terms of complying with, and implementing, regulations surrounding the setting of cookies. Assessing and generating information from such browser cookies forms an integral component of online advertising. Restricting such use could mean that the technical solutions we have developed ourselves can be deployed to only a limited extent, thereby sharply hampering business. For this reason, the Sedo Holding Group counters these risks by swiftly implementing new requirements set by precedent and law, intensive observation of such developments, and through 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. Fierce competition for qualified and motivated specialists and management personnel with relevant experience prevails in the sector. High staff turnover or the loss of key personnel could have an adverse impact on the Sedo Holding Group. The Sedo Group counters such risks by pursuing an active personnel development strategy. To date, we have always succeeded in quickly compensating for the loss of key personnel.

Qualitative information about overall risk

The major risks to the Company’s present and future net assets, financial position and results of operations are concentrated not only on market trends, but also in the areas of competition, legislation, product development and dependencies on customers and partners, as well as resultant margin pressure. 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. Sedo Holding proactively counters these risks through its risk management culture, restricting them to a minimum. We judge the probability of such adverse developments as moderate. No risks which directly jeopardized the continued existence of Sedo Holding AG existed in the 2012 fiscal year, either from individual risks or from the overall risk situation.

Annual audit of the risk early warning system pursuant to Section 317 (4) the German Commercial Code (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 2012, the auditors confirmed that our risk early warning system met legal requirements.

9. Notes to disclosures pursuant to the German Commercial Code (HGB)

Composition of 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 notional value of € 1.00 per share. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. No other share classes exist.

Limitations applying to the shares

On September 29, 2009, and with the approval of the Supervisory Board of the same date, the Management Board of Sedo Holding AG passed a resolution 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 capital 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 capital contribution was in the form of shares in Sedo GmbH, Cologne, Germany. The implementation of the Capital Increase 2009 was entered in the commercial register on November 20, 2009. 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, in other words, 2,125,000 shares, were admitted to trading from October 2011. The remaining New Shares, in other words, the remaining 2,125,000 shares, are to be admitted for trading from October 2013.

Direct participation in the capital stock

As of December 31, 2012, United Internet AG, Montabaur, according to the information available to the Company, directly and indirectly through United Internet Beteiligungen GmbH, Montabaur, held 24,197,838 no par value shares or 79.45% of the shares of Sedo Holding AG.

Appointment and dismissal of Management Board members, amendments to the Company's articles of association

The appointment and dismissal of members of the Management Board is regulated by Sections 84, 85 of the German Stock Corporation Act (AktG), Section 4 of the rules of procedure for the Supervisory Board, and Section 6 (1) of the Company's articles of association. 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 Chairperson of the Management Board for important reasons. 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 chairperson. Deputy members of the Management Board may also be appointed.

Every amendment to the Company's articles of association requires a resolution by 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 affect only wording.

Management Board powers 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 capital 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 warrant or conversion rights to the Company's shares an entitlement to subscribe to the new shares on a scale in accordance with the exercise of their rights, or fulfillment of their conversion obligations.

In addition, the Management Board is authorized, with the approval of the Supervisory Board, to exclude subscription rights of the shareholders if the shares are issued against cash and the issue price of the new shares does not fall significantly below the stock market price for the Company's shares of the same class, and the shares issued in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) do not exceed ten percent of the capital stock. 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) Clause 4 of the German Stock Corporation Act (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 are issued against non-cash capital contributions and the exclusion of subscription rights lies in the Company's interest.

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 reformulate Section 5 of the articles of association in accordance with the implementation of the increase in capital stock or after expiry of this authorization period.

The 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 serves to grant exchange rights to the bearers of convertible bonds, to issue which the Management and Supervisory boards were authorized by the Annual Shareholders' Meeting of May 17, 2004. It will be implemented only 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.

The capital stock may also be increased conditionally by up to € 14,000,000.00, 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 bonds with warrants 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 against cash, and the bonds with warrants or convertible bonds are not serviced from the stock of treasury shares or authorized capital. It will be implemented only to the extent that the warrant or conversion rights of the aforementioned bonds are exercised, or conversion obligations from such bonds are fulfilled, and providing the bonds with warrants or convertible bonds are not serviced from the stock of treasury shares or authorized 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 related execution.

The Supervisory Board is authorized to reformulate 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.

Management Board powers to repurchase shares

The Company, represented by the Management Board, was authorized at the Annual Shareholders' Meeting of May 19, 2010 pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until May 19, 2015 to acquire treasury shares in the scope of up to ten percent of the capital stock. The Company can exercise this authorization either wholly or in partial amounts, once or on several occasions, and for one or several purposes; it can also be exercised by companies which are either independent or in the majority ownership of the Company, or for it or its account by third parties. 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 71a et seq. German Stock Corporation Act (AktG), at any time exceed ten percent 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 through the stock market and/or by means of a public offer to buy.

In the case of acquisition through the stock market, the consideration 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 through 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 through 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 a non-cash payment 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) Clause 4 of the German Stock Corporation Act (AktG).

Moreover, the Management Board is authorized to use the shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other company employees, as well as to executives and employees of affiliated companies in the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG), to subscribe for which such persons are entitled on the basis of an 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 for treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

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

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

As a listed German stock Corporation, corporate governance at Sedo Holding AG is primarily determined by the German Stock Corporation Act, and the recommendations of the German Corporate Governance Code in its respective current version.

The term "corporate governance" refers to the management and controlling of companies which is responsible and oriented to long-term value creation. Essential aspects of good corporate governance include efficient cooperation between management and supervisory boards, consideration for shareholders' interests, and the openness and transparency of corporate communication.

The Management and Supervisory boards of Sedo Holding AG regard themselves as obligated to ensure the continued existence of the Company and sustainable value-creation through responsible corporate governance which carries a long-term orientation.

The following report includes the corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) and the corporate governance report pursuant to Section 3.10 of the German Corporate Governance Code, which have been issued by the Management and Supervisory boards.

Management and corporate structure

In accordance with its legal status, Sedo Holding AG operates a dual management and monitoring structure comprising two corporate bodies. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

The Supervisory Board, which is elected by the Annual Shareholders' Meeting, consisted of three members in the 2012 fiscal year. As a rule, the Supervisory Board is elected for a period of five years. Supervisory Board members cannot generally be older than 70 years of age. The Supervisory Board is in regular contact with the Management Board, and advises the Management Board in the conduct of business and the risk management of the Company. The Supervisory Board regularly discusses with the Management Board all matters of relevance to the Company relating to strategy and its implementation, planning, business development, the risk position, risk management and compliance. It discusses the quarterly and half-yearly reports with the Management Board prior to their publication and approves the annual planning as well as the annual financial statements of the parent company and the Group. In doing so, it also takes the reports of the Company's external auditors into account. Its responsibilities also include appointing members of the Management Board and determining and regularly monitoring their remuneration. The Supervisory Board regularly conducts efficiency audits in order to assess its own work. The members of the Supervisory Board undertake the further educational and training measures required for their tasks on their own responsibility, however, they are thereby adequately supported by the Company.

The Management Board is the body charged with managing the Group's operations and consisted of four individuals in the 2012 fiscal year. The Management Board conducts business pursuant to the law and the Company's articles of association, as well as the rules of business procedure as approved by the Supervisory Board, including a catalogue of transactions which require approval. Decisions of fundamental importance require Supervisory Board approval. The Management Board is responsible for preparing quarterly and annual financial statements, as well as for appointments to key personnel positions within the Company. Resolutions are generally passed with a simple voting majority. The Supervisory Board appoints one member of the Management Board as its Chairperson (CEO). The Management Board communicates regularly with the Supervisory Board Chairman. An age limit of 70 years also applies to Management Board members.

The Annual Ordinary Shareholders' Meeting is the body enacting the wishes of the shareholders of Sedo Holding AG. At the Annual Shareholders' Meeting, the annual financial statements are presented to our shareholders. The shareholders decide on the appropriation of profits and vote on resolutions concerning other statutory topics. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the share register on the day of the Annual Shareholders' Meeting are entitled to attend. Our shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

Composition of the Management and Supervisory Boards

In the 2012 fiscal year, the Management Board of Sedo Holding AG consisted of Dr. Dorothea von Wichert-Nick (Marketing/Sales affilinet), Mr. Tobias Flaitz (Marketing/Sales Sedo), Axel Hamann (Finance), Alexander Röthinger (Technology).

The Supervisory Board also complies with the aspect of diversity in the meaning of the German Corporate Governance Code when making new appointments to the Management Board. In doing so, it especially endeavors to take female executives into appropriate account.

The Supervisory Board as elected by the Annual Shareholders' Meeting currently consists of Mr. Michael Scheeren (Supervisory Board Chairman), Mr. Andreas Gauger and Mr. Tim Schumacher.

The Supervisory Board of Sedo Holding AG is composed in such a way that its members as a whole possess the knowledge, abilities and technical experience which is required for the proper execution of its duties. The Supervisory Board members also have international experience.

The Supervisory Board has a sufficient number of independent members who have no business or personal relations with the Company or the Management Board. Furthermore, these independent members do not hold an official position or perform consulting services for any major competitors.

The German Corporate Governance Code recommends that supervisory boards should specify targets for their composition that are taken into account when it makes proposals to the relevant elective bodies. The Supervisory Board has formulated no specific objectives of this connection. The Supervisory Board members elected as part of the Annual Shareholders' Meeting of June 6, 2012 are appointed until the end of the Annual Shareholders' Meeting which approves the discharging of the Supervisory Board members for the 2016 fiscal year. Since specific new Supervisory Board election proposals are not required to be made to the Annual Shareholders' Meeting until the medium term with the scheduled election of new Supervisory Board members in 2017, it seems inappropriate today, without knowing the changes that might occur to the regulatory environment or to the Company's market conditions, to already formulate specific objectives for this purpose. The Supervisory Board will carefully monitor developments, and in good time before the next scheduled reappointment of the Supervisory Board, decide on the recommendations of the Code with regard to specific objectives and their implementation within the scope proposals by the Supervisory Board to the Annual Shareholders' Meeting, as well as reporting.

Steering systems

The internal steering systems support the management in the supervision and steering of the Group and its segments. These systems consist of planning calculations, and of actual and forecast calculations, and are based on the Group's annually reviewed strategic planning. They take particular account of market changes, technological developments and trends, their impact on the Company's own products and services, as well as the financial opportunities available to the Group. Corporate steering has the objective of continuously and sustainably developing Sedo Holding and its subsidiaries.

The Group reporting system comprises monthly earnings calculations as well as quarterly IFRS reports for all consolidated subsidiaries, and presents the net assets, financial position and results of operations of the Group and its operating segments. Financial reporting is supplemented by further detailed information necessary for assessing and steering the operating business.

Quarterly reports on key corporate risks form a further component of the steering systems.

The reports mentioned above are discussed at Management and Supervisory board meetings, and provide the essential basis for appraisal and decision-making.

The Company's operating business is monitored and steered primarily using the metrics of sales revenue, gross profit, EBITDA, contribution, EBIT and EBT, as well as a number of further key non-financial indicators such as coverage, traded marketable domains, registered members, participating websites and available partner programs.

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

Sedo Holding AG regards risk management as an integral part of its internal controlling 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 controlling system. In order to fulfill its duties, Internal Audit has been granted extensive rights with regard to information, inspection and access. An internal audit was not conducted in 2012.

Risk assessment

Sedo Holding AG regards risk management as a measure to identify and assess risks which might jeopardize the attainment of corporate objectives, 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 jeopardize the Company as a going concern. Besides operating risk management, it also comprises systematic risk early identification, steering and monitoring. 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 at the 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 controlling system

The accounting-related internal controlling 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 controlling system comprises both preventive and investigative controls, including IT-aided and manual coordination, the separation of functions, the "two sets of eyes principle", general IT controls, for example, 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 controlling system enables the recognition, preparation and assessment of company-related issues and their proper representation in Group accounting. The Group financial accounting function is responsible for the management of the financial accounting processes. Laws, accounting standards and other promulgations are continually analyzed with regard to their relevance and effect on the annual financial statements. Staff involved in the Group financial accounting process undergo regular training. External specialist consultants are brought in accordingly where required. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Group financial accounting function accordingly. So-called entity level controls from the highest decision-making bodies also augment the accounting-related internal controlling system described above.

In particular, personal discretionary decisions, faulty controlling, criminal acts or other circumstances cannot be excluded by their very nature, and could result in a restricted effectiveness and reliability of the internal controlling and risk management system that has been deployed, as a consequence of which the Group-wide application of the deployed systems cannot offer absolute security regarding the correct, complete and timely reporting of business matters in the Group financial accounting system.

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.

Compliance

Compliance forms an integral component of the corporate and management culture of the Sedo Holding Group. For Sedo Holding AG, compliance refers to the compliance of its business activities with all applicable laws, as well as with its own principles and regulations.

These also include the open and fair treatment of staff, business partners, shareholders and the public, as well as appropriate behavior. As a service-provider group with several millions of customers and business partners, Sedo Holding AG must acquire and retain the trust of these customers and business partners through irreproachable behavior.

The Management Board developed various guidelines and principles, which are valid as a direct code of behavior for most of the Group, in order to ensure standard, exemplary action and behavior in compliance with relevant laws and the Company's own principles and regulations.

Along with statutory regulations, the code of behavior also includes management guidelines for the Company, and is intended to promote individually responsible behavior on the part of each staff member, and to provide orientation in this context. As a consequence, it creates a secure action framework for decisions when confronted by problematic everyday business matters. It also lends specific form to the Company's self-image and values, and is applicable as a guiding principle for the Management Board, managers and all staff equally.

Compliance infringements are investigated in the interests of all staff and the Company, and the relevant causes are addressed to the best extent possible. These include the consistent prosecution of incorrect behavior within the framework of respective valid internal guidelines, respective statutory regulations and other regulations. To this end, the Company's Management Board has established corresponding procedures to ensure compliance, including with the aforementioned values, and to anchor these sustainably within the organization.

Financial publicity

According to a fixed financial calendar, each fiscal year Sedo Holding AG provides shareholders, analysts and the press with four reports on the Company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the Company posts on its website and regularly updates in accordance with legal obligations. The Management Board also provides immediate information in the form of ad hoc announcements about any events not known to the public which might significantly affect the share price.

The Company's management team and investor relations department provided the capital market with regular information about the Company's development in the 2012 fiscal year. Analyst conferences are also held concurrent with the publication of half-yearly and annual results. The Company provides access to financial information and further relevant information about the Sedo Holding Group on its website at http://www.sedoholding.com

Financial accounting and auditing

The Group conducts its financial accounting according to the principles of the International Financial Reporting Standards (IFRS). The separate financial statements, which are of relevance for matters relating to dividend payouts and tax matters, are prepared according to the accounting standards of the German Commercial Code (HGB), by contrast. Independent auditors audit the separate and consolidated financial statements. The Annual Shareholders' Meeting elects the auditor. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed to be the auditor for the 2012 fiscal year. The Supervisory Board issues the auditing mandate, determines focal auditing points, approves the auditing fee and examines the auditors' independence.

Compensation of the Management and Supervisory Boards

The basic aspects of the compensation schemes for the Management and Supervisory board are presented in the compensation report of this management report. Disclosure of total compensation for the Management and Supervisory board members, as well as the division according to fixed and variable compensation components, can be found under Note 35 in the notes to the consolidated financial statements.

Stock option plans

The basic aspects of the employee stock option plan of Sedo Holding AG are described in the compensation report of this management report. Note 32 of the notes to the consolidated financial statements include further details on this point.

Directors' dealings

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and Supervisory Board of Sedo Holding AG are legally obliged to declare their purchase and sale of shares in Sedo Holding AG or related financial instruments whenever the transaction conducted by an executive body or related persons reaches or exceeds the amount of € 5,000 within one calendar year.

No transactions conducted by board members or related individuals, which would require publication across Europe pursuant to Section 15a of the German Securities Trading Act (WpHG), were reported to us for the 2012 fiscal year. Above and beyond this, the Company received no notifications of securities transactions which require mandatory publication.

Please refer to Note 35 in the notes to the consolidated financial statements for more information about shareholdings held by the Management and Supervisory boards.

Declaration of conformity with the recommendations of the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (AktG)

Corporate governance at Sedo Holding AG is based on the German Corporate Governance Code, which the government commission that the German Federal Minister of Justice set up in September 2001 published for the first time on February 26, 2002. On May 15, 2012, the 10th currently valid version of the German Corporate Governance Code was completed, and was published in the Federal Gazette on June 15, 2012 by the Federal Ministry of Justice (http://www.bundesanzeiger.de/).

The Code contains three types of standards:
- regulations describing prevailing German statutory provisions,
- recommendations,
- suggestions.

German companies must apply the regulations.

As far as the recommendations are concerned, listed companies must publish an annual compliance statement pursuant to Section 161 of the German Stock Corporation Act (AktG).

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

On March 7, 2013, the Management and Supervisory boards of Sedo Holding AG issued their current annual compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG), and subsequently published it on the Company's website at (www.sedoholding.com), as well as in the Federal Gazette.

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of Sedo Holding AG declare that:

Sedo Holding AG has complied with the recommendations of the German Corporate Governance Code in the version of valid from May 15, 2012 ("Code") since it came into force on June 15, 2012, and plans to continue to comply with these recommendations, albeit with the following exceptions:

Deductibles in the case of D&O insurance policies (Code section 3.8)
The German Stock Corporation Act (AktG) stipulates that in directors & officers (D&O) insurance policies for management board members an obligatory deductible equivalent to at least 10% of the loss up to at least 1.5 times the level of annual fixed salary is to be agreed (Section 93 of the German Stock Corporation Act [AktG]). Beyond the scope of the German Stock Corporation Act the German Corporate Governance Code recommends that a similar deductible be agreed for supervisory boards 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. In the opinion of Sedo Holding AG, such a deductible would not change the sense of motivation and responsibility with which Sedo Holding Supervisory Board members perform their duties.

Committees (Code section 5.3)
The German Corporate Governance Code recommends that supervisory boards 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 Code recommends that supervisory boards form a nomination committee composed exclusively of shareholder representatives, which proposes suitable candidates to the supervisory board for recommendation to the annual shareholders' meeting. Committees are intended to enhance the efficiency of supervisory board work and the handling of complex matters.

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 aforementioned topics. Committees 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 business procedure, therefore, state that committees should only be formed if there are more than three Supervisory Board members.

Targets for the composition of supervisory boards (Code section 5.4.1)
The German Corporate Governance Code recommends that supervisory boards should set specific objectives for their composition, taking into account the Company's specific situation, the Company's international activity, potential conflicts of interest, an age limit to be established for supervisory board members and diversity, and, since June 15, 2012, also the number of independent supervisory board members in the meaning of section 5.4.2. In particular, these specific objectives should include an adequate participation by women. Supervisory Board proposals to relevant election bodies should take these objectives into account. The objectives of supervisory boards and the status of their implementation should be published in a corporate governance report.

The Supervisory Board members elected as part of the Annual Shareholders' Meeting of June 6, 2012 are appointed until the end of the Annual Shareholders' Meeting which approves the discharging of the Supervisory Board members for the 2016 fiscal year. Since specific new Supervisory Board election proposals are not required to be made to the Annual Shareholders' Meeting until the medium term with the scheduled election of new Supervisory Board members in 2017, it seems inappropriate today, without knowing the changes that might occur to the regulatory environment or to the Company's market conditions, to already formulate specific objectives for this purpose. The Supervisory Board will carefully monitor developments, and in good time before the next scheduled reappointment of the Supervisory Board decide on the recommendations of the Code with regard to specific objectives and their implementation within the scope proposals by the Supervisory Board to the Annual Shareholders' Meeting, as well as reporting.

Compensation of supervisory board members (Code section 5.4.6)
The 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.

To the extent that the Supervisory Board treats all topics in its entirety, and no committees are formed, Sedo Holding AG takes separate account only of the position of the Chairperson of the Supervisory Board.

Since June 15, 2012, the Code has recommended that performance-based compensation for supervisory board members should be based on sustainable corporate development. The Supervisory Board members of Sedo Holding AG receive both fixed and performance-based based compensation. In conformity with the Code until June 15, 2012, the performance-based compensation is connected with exceeding a threshold in terms of consolidated earnings per share in the respective fiscal year. Sedo Holding AG has diverged from this since the Code was amended. Sedo Holding AG continues to regard performance-based compensation as appropriate if it is based on actually reported earnings per share in a respective fiscal year. For this reason, the boards identify no immediate need to change the compensation scheme. They will observe and analyses developments in compensation schemes for supervisory boards, and propose a new compensation scheme following the Annual Shareholders' Meeting if required.

The Management and Supervisory boards continue to declare that Sedo Holding AG has complied with the Code's recommendations in the version of May 26, 2010 since the last compliance statement was issued on March 7, 2012, with the exceptions mentioned therein until June 14, 2012.

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 on 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 was not disadvantaged as a result of a measure which was taken or refrained.

12. Outlook

Economic expectations

The International Monetary Fund (IMF) slightly downgraded its forecast for the **global economy** in its updated World Economic Outlook published in January 2013. The IMF now anticipates global growth of only 3.5% for 2013, and 4.1% for 2014, due to the slower than expected recovery of the Eurozone. These represent 0.1 percentage point downgrades compared with the IMF's October forecast.

As far as the **Eurozone** itself is concerned, the IMF now anticipates that the recession will continue until early 2014. In this context, Eurozone economic output, which already fell 0.6% in 2012, is set to shrink by a further 0.2% in 2013 (the IMF previously expected minimal growth of 0.1%). Growth is not anticipated to resume until 2014 in the Eurozone (1.0%). The IMF explained that the hesitant recovery in the Eurozone is due to continued uncertainty among businesses and consumers as to whether the political measures that have now been taken will actually be sufficient to get a grip on the debt crisis.

For **Germany**, too, the IMF cut the growth forecast it published in October 2012, downgrading its 2013 estimate from 0.9% to 0.6%. The IMF anticipates 1.4% economic growth for 2014.

Market and sector expectations

In its current "Advertising Expenditure Forecast", the ZenithOptimedia media agency forecasts a growth acceleration for the global advertising market over the next three years. After 3.3% growth in 2012, advertising sales are set to grow by a further 4.1% in 2013, and 5.6% in 2014, according to the agency.

In the online sector, activities of advertisers in Germany continued to be determined by a major preparedness to invest. As the second-strongest advertising medium in the media mix, the Internet expanded its position by 2.2 percentage points. With a look to 2013, the German Circle of Online Advertisers (OVK) expects a positive trend in the online advertising market, forecasting an 11% rise in gross advertising investments in Germany to reach € 7.18 billion.

Company expectations

Sedo Holding is firmly convinced that especially performance-oriented advertising forms, in other words, those components of advertising that have a direct effect on the behavior of consumers and other customers on the interactive medium of the Internet, are likely to still enjoy good growth in the medium and long term.

In the **Affiliate Marketing** segment, the Company intends to continue to invest in the automation and optimization of sales processes, as well as the expansion of service quality. Sales growth is expected from the tapping of further customer potentials. This relates to both international customers, and smaller advertisers and websites (the "long tail"). In this context, the focus is on the better utilization of the already existing coverage through new platform functionalities and innovative sales and marketing concepts.

Automation, optimization and simplification form the basis to reach not only existing customers but also new target groups – both advertisers and publishers. The sustainable expansion of data mining and optimization technologies allows us to offer integrated and ROI-optimized solutions for advertising customers, thereby boosting customer loyalty. These capabilities, in combination with long-term cost-orientation, form the foundation for further growth in performance marketing.

In the segment of **Domain Marketing**, in which Sedo retains its leading position worldwide, the market is currently developing in an ambivalent manner.

Domain parking is characterized by a stagnating to declining market trend. However, the Company will continue to exploit the remaining opportunities. To this end, monetization in this area is to be boosted, and sales and marketing activities to acquire customers are to be enhanced in a falling overall market.

Domain trading is operating at a solid level, both on the marketplace and in our "SedoMLS" reseller system. The aim in this context is to utilize further SedoMLS cooperation ventures to boost the coverage of target buyer groups. We are also aiming generally to achieve greater user-friendliness of our websites, the marketplace and the platform, in order to simplify interaction, and raise transaction numbers. The management also identifies further potential in expanding the Company's existing internationalization as a unique selling point compared with its competitors, as well as in launching new gTLDs (generic Top Level Domains) in 2013 and 2014, and resultant opportunities on the secondary market. The new TLDs will prospectively have a positive impact on supply and demand for domains for specific topics and geographies, giving Sedo the opportunity to participate in existing global e-commerce growth. The corresponding preconditions are to be created in 2013 for the resultant opportunities.

For the full 2013 fiscal year, the Management Board expects sales revenue to grow by around 10% compared with the 2012 fiscal year (2012 sales revenue: € 132.7 million), which is to be driven mainly by good growth in the Affiliate Marketing segment, and earnings before taxes between € 4.0 million and € 5.0 million. Based on a current assessment of the market, company management anticipates growing revenue and earnings contributions in the subsequent 2014 fiscal year.

Forward-looking statements and forecasts

This management report contains forward-looking statements by the Management Board which are based on current expectations, assumptions, forecasts and currently available information. The forward-looking statements cannot be understood as guarantees for 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 imponderables 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 forward-looking statements made in this report.

Cologne, March 7, 2013

The Management Board

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

IFRS Consolidated Financial Statements

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Balance sheet acc. to IFRS
as of Dezember 31, 2012

in €	Notes	31.12.2012	31.12.2011
ASSETS			
Cash and cash equivalents	15	6,400,346	21,067,559
Accounts receivable	16	14,958,897	13,386,017
Accounts receivable from affiliated companies	17	15,131,840	69,241
Inventories	18	1,653,323	2,119,884
Income tax receivables	19	1,484,601	211,711
Prepaid expenses	20	395,984	527,762
Other financial assets	21	359,242	231,786
Other non-financial assets	22	198,579	109,687
Current assets		**40,582,812**	**37,723,647**
Shares in associated companies	12	1,052,067	999,001
Property, plant and equipment	23	941,518	1,039,553
Prepayments on intangible assets	24	0	409,275
Intangible assets (excl. goodwill)	24	1,921,376	1,302,531
Goodwill	10	12,216,820	72,152,636
Deferred tax assets	13	516,656	1,004,266
Non-current assets		**16,648,437**	**76,907,262**
Total assets		**57,231,249**	**114,630,909**
LIABILITIES AND EQUITY			
Liabilities			
Trade accounts payable	25	19,454,288	18,152,933
Liabilities due to affiliated companies	26	11,882	100,464
Tax provisions	28	217,818	216,071
Other provisions	29	509,920	1,031,624
Other financial liabilities	30	3,046,779	2,317,632
Other non-financial liabilities	31	926,505	870,318
Current liabilities		**24,167,192**	**22,689,042**
Deferred tax liabilities	13	344,248	286,715
Non-current liabilities		**344,248**	**286,715**
Total liabilities		**24,511,440**	**22,975,757**
Equity			
Capital stock	33	30,455,890	30,455,890
Additional paid-in capital	33	38,472,402	38,468,974
Accumulated profit	33	-36,098,702	22,792,658
Currency translation adjustments	33	64,731	139,824
Equity attributable to shareholders of the parent company		**32,894,321**	**91,857,346**
Non-controlling interests	33	-174,512	-202,194
Total equity		**32,719,809**	**91,655,152**
Total liabilities and equity		**57,231,249**	**114,630,909**

Statement of comprehensive income acc. to IFRS
from January 1 to December 31, 2012

in €	Notes	Jan.–Dec. 2012	Jan.–Dec. 2011
Sales revenues	39	132,695,036	124,475,855
Cost of sales	4	-107,757,364	-97,125,997
Margin in % of sales		18.8%	22.0%
Gross profit		**24,937,672**	**27,349,858**
Selling expenses	5	-13,334,681	-12,772,672
General and administrative expenses	6	-7,685,343	-7,972,464
Other operating expenses	7	-4,113,616	-5,940,914
Other operating income	8	3,848,148	5,653,762
Amortization of assets capitalized in the scope of acquisitions	9	-196,042	-120,690
Amortization of goodwill	10	-60,238,736	-3,500,000
Operating result		**-56,782,598**	**2,696,880**
Interest and similar expenses	11	-25,558	-82,496
Interest and similar income	11	184,953	477,211
Result from associated companies	12	53,066	77,032
Earnings before taxes		**-56,570,137**	**3,168,627**
Income taxes	13	-2,296,713	-4,212,386
Net result		**-58,866,850**	**-1,043,759**
Other comprehensive income			
Gains/losses from currency translations after taxes		-71,921	-12,523
Other comprehensive income after taxes		**-71,921**	**-12,523**
Total comprehensive income after taxes		**-58,938,771**	**-1,056,282**
Net result attributable to			
Shareholders of the parent company		-58,891,360	-1,086,568
Non-controlling interests		24,510	42,809
Total comprehensive income attributable to			
Shareholders of the parent company		-58,966,453	-1,094,478
Non-controlling interests		27,682	38,196
Earnings per share			
basic/diluted (€/share), from net result attributable to the holders of registered ordinary shares of the Company	14	-1.93	-0.03
Weighted avererage number of shares outstanding (basic/diluted)		30,455,890	30,455,890

Consolidated cash flow acc. to IFRS
from January 1 to December 31, 2012

in €	Notes	Jan.–Dec. 2012	Jan.–Dec. 2011
Net result		-58,866,850	-1,043,759
Adjustment to reconcile net result to net proceeds from operating activities			
Amortization and depreciation of intangible assets and property, plant and equipment	4–6, 9, 24	1,049,841	1,051,457
Amortization of goodwill	10	60,238,736	3,500,000
Amortization of inventories	18	468,527	342,799
Net result from disposal of assets		11,177	5,428
Change in deferred taxes	13	414,167	923,746
Compensation expenses from employee stock option plans	32, 33	3,428	-300,115
Result of at-equity companies	12	-53,066	-77,032
Total operating cash flow		**3,265,960**	**4,402,524**
Changes in assets and liabilities			
Change in trade accounts receivables		-1,421,995	1,161,629
Change in receivables from affiliated companies		-62,599	-17,379
Change in inventories		-1,966	-24,220
Change in income tax receivables		-1,272,890	910,289
Change in prepaid expenses		149,865	34,610
Change in other financial assets		-125,261	294,436
Change in other non-financial assets		-88,892	367,799
Change in trade accounts payable		772,696	264,863
Change in accounts payable due to affiliated companies		-88,582	-149,642
Change in tax provisions		1,747	-2,494,210
Change in other provisions		-521,704	-4,286
Change in other financial liabilities		515,672	-834,031
Change in other non-financial liabilities		56,187	-295,276
Changes in assets and liabilities		**-2,087,722**	**-785,418**
Total net proceeds from operating activities		**1,178,238**	**3,617,106**

in €	Notes	Jan.–Dec. 2012	Jan.–Dec. 2011
Cash flow from investing activities			
Capital expenditure for property, plant and equipment	23	-442,393	-517,013
Capital expenditure for intangible assets	24	-253,925	-601,125
Dividends and other payments from investments	12	0	33,810
Proceeds from the disposal of assets		11,360	9,034
Payments for short-term loans to affiliated companies	15, 17	-15,000,000	0
Payments connected with business combinations	3	-424,781	0
Proceeds from the disposal of companies (net of cash disposed of)		0	12,194,828
Total cash flow from investing activities		**-16,109,739**	**11,119,534**
Cash flow from financing activities			
Repayment of convertible bonds	32	0	-563
Total cash flow from financing activities		**0**	**-563**
Net increase/decrease in cash and cash equivalents		-14,931,501	14,736,077
Cash and cash equivalents at the beginning of the fiscal year		21,067,559	6,316,289
Effects of addition of cash and cash equivalents from first consolidation		271,068	0
Effects of exchange rate differences on cash		-6,780	15,193
Cash and cash equivalents at the end of the reporting period		**6,400,346**	**21,067,559**
Interest deposits		160,365	775,478
Interest payments		-28,616	-137,592
Tax refunds		188,516	1,229,118
Payments for taxes		-3,345,423	-6,036,190

Changes in shareholders' equity acc. to IFRS

	Capital stock in shares and €	Additional paid-in capital €
Notes	33	33
Balance as of December 31, 2010	**30,455,890**	**38,769,089**
Net result	0	0
Other comprehensive income	0	0
Total comprehensive income	**0**	**0**
Additions/withdrawals from stock option plan	0	-300,115
Balance as of December 31, 2011	**30,455,890**	**38,468,974**
Net result	0	0
Other comprehensive income	0	0
Total comprehensive income	**0**	**0**
Additions/withdrawals from stock option plan	0	3,428
Balance as of December 31, 2012	**30,455,890**	**38,472,402**

	Accumulated profit/deficit €	Currency translation adjustments €	Equity attributable to shareholders of the parent company €	Non-controlling interests €	Total equity €
	33	33		33	
	23,879,226	**147,734**	**93,251,939**	**-240,390**	**93,011,549**
	-1,086,568	0	-1,086,568	42,809	-1,043,759
	0	-7,910	-7,910	-4,613	-12,523
	-1,086,568	**-7,910**	**-1,094,478**	**38,196**	**-1,056,282**
	0	0	-300,115	0	-300,115
	22,792,658	**139,824**	**91,857,346**	**-202,194**	**91,655,152**
	-58,891,360	0	-58,891,360	24,510	-58,866,850
	0	-75,093	-75,093	3,172	-71,921
	-58,891,360	**-75,093**	**-58,966,453**	**27,682**	**-58,938,771**
	0	0	3,428	0	3,428
	-36,098,702	**64,731**	**32,894,321**	**-174,512**	**32,719,809**

Development of fixed assets acc. to IFRS

in €	Jan. 1, 2012	Changes in consolidated group	Additions	Disposals	Reclassifi-cations	Currency translation adjustments	Dec 31, 2012
	ACQUISITION AND PRODUCTION COSTS						
INTANGIBLE ASSETS							
Licenses, trademarks and others	2,592,020	0	0	0	0	-25,970	2,566,050
Software	3,973,766	0	253,925	16,424	409.275	-89	4,620,453
Internet platform	1,878,900	63,083	0	0	0	0	1,941,983
Databases/customer base	5,680,030	431,483	0	0	0	-2,216	6,109,297
Advance payments	409,275	0	0	0	-409.275	0	0
Subtotal Licenses/ Software/Deposit	**14,533,991**	**494,566**	**253,925**	**16,424**	**0**	**-28,275**	**15,237,783**
Goodwill	89,906,816	300,220	0	0	0	2,700	90,209,736
	104,440,807	**794,786**	**253,925**	**16,424**	**0**	**-25,575**	**105,447,519**
PROPERTY, PLANT AND EQUIPMENT							
Other equipment, operational and office equipment	4,136,314	4,260	442,393	790,765	0	-2,777	3,789,425
	4,136,314	**4,260**	**442,393**	**790,765**	**0**	**-2,777**	**3,789,425**
FINANCIAL ASSETS							
Shares in associated companies	999,001	0	53,066	0	0	0	1,052,067
	999,001	**0**	**53,066**	**0**	**0**	**0**	**1,052,067**
	109,576,122	**799,046**	**749,384**	**807,190**	**0**	**-28,352**	**110,289,011**
	Jan. 1, 2011						**Dec 31, 2011**
INTANGIBLE ASSETS							
Licenses, trademarks and others	2,548,493	0	0	0	0	43,527	2,592,020
Software	3,780,956	0	191,850	0	0	960	3,973,766
Internet platform	1,878,900	0	0	0	0	0	1,878,900
Databases/customer base	5,675,817	0	0	0	0	4,213	5,680,030
Advance payments	0	0	409,275	0	0	0	409,275
Subtotal Licenses/ Software/Deposit	**13,884,166**	**0**	**601,125**	**0**	**0**	**48,700**	**14,533,991**
Goodwill	89,903,846	0	0	0	0	2,970	89,906,816
	103,788,012	**0**	**601,125**	**0**	**0**	**51,670**	**104,440,807**
PROPERTY, PLANT AND EQUIPMENT							
Other equipment, operational and office equipment	3,677,052	0	517,013	68,671	0	10,921	4,136,314
	3,677,052	**0**	**517,013**	**68,671**	**0**	**10,921**	**4,136,314**
FINANCIAL ASSETS							
Shares in associated companies	955,779	0	43,222	0	0	0	999,001
Other non-current assets	**955,779**	**0**	**43,222**	**0**	**0**	**0**	**999,001**
	108,420,843	**0**	**1,161,360**	**68,671**	**0**	**62,590**	**109,576,122**

	ACCUMULATED AMORTIZATION/DEPRECIATION						NET BOOK VALUE	
	Jan. 1, 2012	Additions	Impairment	Disposals	Currency translation adjustments	Dec 31, 2012	Jan. 1, 2012	Dec 31, 2012
	1,866,207	52,443	0	0	-29,339	1,889,311	725,813	676,739
	3,677,978	291,546	0	16,424	-45	3,953,055	295,788	667,398
	1,878,900	31,542	0	0	0	1,910,442	0	31,541
	5,399,100	164,500	0	0	0	5,563,600	280,930	545,697
	0	0	0	0	0	0	409,275	0
	12,822,184	**540,030**	**0**	**16,424**	**-29,383**	**13,316,407**	**1,711,806**	**1,921,376**
	17,754,180	0	60,238,736	0	0	77,992,916	72,152,636	12,216,820
	30,576,364	**540,030**	**60,238,736**	**16,424**	**-29,383**	**91,309,323**	**73,864,442**	**14,138,196**
	3,096,761	509,811	0	755,322	-3,343	2,847,907	1,039,553	941,518
	3,096,761	**509,811**	**0**	**755,322**	**-3,343**	**2,847,907**	**1,039,553**	**941,518**
	0	0	0	0	0	0	999,001	1,052,067
	0	**0**	**0**	**0**	**0**	**0**	**999,001**	**1,052,067**
	33,673,126	**1,049,841**	**60,238,736**	**771,746**	**-32,727**	**94,157,230**	**75,902,997**	**16,131,781**

	Jan. 1, 2011					Dec 31, 2011	Jan. 1, 2011	Dec 31, 2011
	1,605,617	153,913	46,148	0	60,529	1,866,207	942,876	725,813
	3,446,047	231,377	0	0	555	3,677,978	334,909	295,788
	1,878,900	0	0	0	0	1,878,900	0	0
	5,287,031	112,069	0	0	0	5,399,100	388,786	280,930
	0	0	0	0	0	0	0	409,275
	12,217,595	**497,358**	**46,148**	**0**	**61,083**	**12,822,184**	**1,666,572**	**1,711,806**
	14,254,180	0	3,500,000	0	0	17,754,180	75,649,666	72,152,636
	26,471,775	**497,358**	**3,546,148**	**0**	**61,083**	**30,576,364**	**77,316,238**	**73,864,442**
	2,618,958	507,950	0	39,504	9,356	3,096,761	1,058,093	1,039,553
	2,618,958	**507,950**	**0**	**39,504**	**9,356**	**3,096,761**	**1,058,093**	**1,039,553**
	0	0	0	0	0	0	955,779	999,001
	0	**0**	**0**	**0**	**0**	**0**	**955,779**	**999,001**
	29,090,733	**1,005,309**	**3,546,148**	**39,504**	**70,440**	**33,673,126**	**79,330,110**	**75,902,997**

1. Information about the Company

Operating activities

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 companies in Germany and abroad, 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 of association, 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 (the Netherlands), Groningen (the Netherlands), Saint-Denis (France), London (UK) and Madrid (Spain). All Company offices are leased.

Employees

Overall, the Sedo Holding Group employed a total of 345 employees as of December 31, 2012 (previous year: 345). The average number of employees was 349 (previous year: 341). The employees are allocated among the various divisions as follows:

	2012	2011
Product Management and Development	72	67
Marketing	17	19
Sales	154	153
Administration	70	65
IT	16	15
Purchasing performance services (sales partners)	20	22
Average number of employees	**349**	**341**

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 to 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 through 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, Official Journal 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 IFRS IC (IFRS 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 thousands of Euros (€k) or millions of Euros (€m). The consolidated financial statements are always prepared on the basis of historical cost. The exceptions to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value; however, such items were not held or received by the Company in the years of 2012 and 2011 and were consequently not applicable.

The balance sheet date is December 31, 2012.

The Supervisory Board approved the consolidated financial statements for 2011 at its meeting on March 26, 2012. The consolidated annual financial statements were published in the electronic German Federal Gazette ("Bundesanzeiger") on May 8, 2012.

The Company's Management Board prepared the 2012 consolidated financial statements on March 7, 2013, before forwarding them to the Supervisory Board. The Supervisory Board will decide on its approval of the consolidated financial statements on March 18, 2013.

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. This is generally entailed with a more than 50% voting rights interest. The existence and effect of potential voting rights which can currently be exercised or converted is taken into account when determining whether control exists. 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 amount of assets are fully eliminated.

Subsidiaries are fully consolidated from the point of acquisition, that is, from the date on which the Company gains control. Consolidation ends as soon as the parent company no longer exerts control over the subsidiary.

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. In the event of the acquisition of shares without a controlling interest, or the disposal of shares with a controlling interest without the controlling interest being lost, the carrying amounts 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 amount 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, 2012, 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): As a consequence, consolidated group corresponds to that of the previous year, with the exception of Cleafs B.V. which was acquired in the 2012 fiscal year.

- 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, The Netherlands (100%, "affilinet Netherlands")
  - affilinet Ltd., London/Great Britain (100%/"affilinet UK")
  - affilinet France SAS, Saint-Denis/France (100 %/"affilinet France")
  - Cleafs B.V., Groningen/The Netherlands (100%/"Cleafs")

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 have been exercisable since January 1, 2010. Pursuant to IAS 27 "Consolidated and Separate Financial Statements", the possibility to exercise the purchase option has resulted in the company being fully consolidated since the 2010 fiscal year. Until December 31, 2009 the company was included in the accounts as an associated company at equity.

Sedo London Limited, London, United Kingdom, is in the process of being wound down.

affilinet Limited, a company registered at Companies House with registered number 05409037, has taken exemption from the requirements of a statutory audit under section 479A of the UK Companies Act 2006.

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 carried at fair value. The Company currently has no such holdings.

For further information please refer 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 standard applied for the first time. There were no significant effects on the presentation of the Group's net assets, financial position and results of operations from the application of this revised standard.

Amendment to IFRS 7 – Financial Instruments: Disclosures
In October 2010 the IASB published a standard with changes to IFRS 7 regarding the disclosure requirements for derecognition. The new amendments are intended to make financial reports clearer in the future, thereby granting users a better insight into transactions with regard to the assignment of assets, including, for example, securitization transactions. In addition, a significant standardization of the disclosure requirements according to IFRS and US GAAP is achieved. The revisions are applicable to fiscal years which start on or after July 1, 2011. The application of the revised standard had no effects on the Company's consolidated financial statements.

The IASB and the IFRS IC have published the standards and interpretations listed below which have already been adopted within the context of the comitology procedure in the EU, but which are not yet mandatory in the 2012 fiscal year. The Group is not applying these standards and interpretations in advance.

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB published the new standard IFRS 10 as a part of a "package" of five new and amended standards. 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 concerning separate financial statements. IFRS 10 changes the definition of "control" to the extent 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, 2014. An earlier application is permitted if the complete "standard package" is used simultaneously. The application of the new standard will, from today's point of view, probably have no significant effects on the Company's consolidated financial statements.

IFRS 11 – Joint Arrangements

In May 2011, the IASB published the new standard IFRS 11 as a part of a "package" of five new and amended standards. 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 apply the equity method. Companies which are involved in joint activities will have to apply 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, 2014. An earlier application is permitted if the complete "standard package" is used simultaneously. The application of the new standard will, from today's point of view, probably have no significant effects on the Company's consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB published the new standard IFRS 12 as a part of a "package" of five new and amended standards. IFRS 12 defines the disclosures required for companies which prepare their financial statements in accordance with the two new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements"; the standard replaces the disclosure duties currently contained in IAS 28 "Investments in Associates". In accordance with the new standard IFRS 12 customers have to make disclosures which make it possible for the addressees of the financial statements 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, 2014. 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. The application of the new standard will, from today's point of view, have no significant effects on the Company's consolidated financial statements.

IFRS 13 – Fair Value Measurement

In May 2011, the IASB published the new standard IFRS 13. IFRS 13 describes how fair value should be determined, and expands the disclosures to be made about fair value; the standard does not include any specifications about the cases where fair value should be applied. IFRS 13 applies to reporting periods commencing on or after January 1, 2013; earlier application is permitted. The standard is used prospectively at the beginning of the reporting period for which its first application is conducted. The application of the new standard will, from today's point of view, have no significant effects on the Company's consolidated financial statements.

IAS 27 – Separate Financial Statements (amended 2011)

In May 2011, the IASB published the new standard IFRS 27 as a part of a "package" of five new and amended standards. 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, 2014. An earlier application is permitted if the complete "standard package" is used simultaneously. The revised standard will not have any effects on the Company's consolidated financial statements due to the lack of a field of application.

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

In May 2011, the IASB published the new standard IFRS 28 as a part of a "package" of five new and amended standards. 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, 2014. An earlier application is permitted if the complete "standard package" is used simultaneously. The application of the new standard will, from today's point of view, probably have no significant effects on the Company's consolidated financial statements.

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 comprehensive income. The amended standard must be applied for fiscal years which start on or after July 1, 2012. The application of the new standard will, from today's point of view, have no significant effects on the Company's consolidated financial statements.

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 . According to IAS 12, the assessment of deferred taxes depends upon whether the carrying amount of assets is realized through use or disposal. The change offers a practical solution for this problem by the introduction of a refutable assumption that the realization of the carrying amount is normally made by disposal. In connection with this, SIC 21 "Recovery of remeasured non-depreciable assets" was withdrawn. The amended standard applies to fiscal years which start on or after January 1, 2013. This amendment will not have any effects on the Company's consolidated financial statements due to the lack of a field of application.

Amendments to IAS 19 – Post-Employment 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 gains or losses affecting the operating result. The amended standard applies to fiscal years which start on or after January 1, 2013. This amendment will not have any effects on the Company's consolidated financial statements due to the lack of a field of application.

Amendments to IFRS 7 /IAS 32 – Adjustment to the offsetting of financial assets and liabilities
In December 2011, the IASB published supplements to IAS 32 and IFRS 7. In them the IASB clarifies some details with respect to the offsetting 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. The application of the new standard will, from today's point of view, have no significant effects on the Company's consolidated financial statements.

The IASB has published the standards listed below, which up to now have not been recognized by the EU. The application of the standards is not mandatory in the 2012 fiscal year and will not be applied by the Group.

IFRS 9 – Financial Instruments
The IASB published the new IFRS 9 standard for the categorization 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 asset-side financial instruments. In October 2010, IFRS 9 was expanded to include rules for the accounting treatment of financial liabilities; in December 2011, the mandatory first-time application date was postponed. It must now be officially applied as of January 1, 2015. In accordance with the demands of the G20, however, a voluntary early application is already permissible for fiscal years which end in 2009 or later . The application of the new standard will, from today's point of view, probably have no significant effects on the Company's consolidated financial statements.

Annual improvements procedure – Improvements to IFRS 2011
On May 17, 2012, the IASB released the fourth final standard with amendments to existing IFRS ("Omnibus Standard"). With the combination of these changes in one document, the IASB intends to reduce the effort for all concerned. As a result of the Annual Improvements Project 2009-2011, minor adjustments were applied to a total of five standards, with consequential amendments to other standards as follows:

- IFRS 1 "First Time Adoption of International Financial Reporting Standards": Clarifications concerning the repeated application of IFRS 1 and concerning borrowing costs for a qualified asset where the start of capitalization of borrowing costs predates transition to IFRS.
- IAS 1 "Presentation of Financial Statements": disclosure of comparable prior year information.
- IAS 16 "Property, Plant and Equipment": clarification concerning the accounting treatment of maintenance equipment.
- IAS 32 "Financial Instruments: Presentation": accounting treatment of the income tax effects of distributions to the owner of an equity instrument must harmonies with IAS 12 Income Taxes.
- IAS 34 "Interim Financial Reporting": continuity in disclosures relating to total segment assets.

The adopted changes must be applied retrospectively for fiscal years which start on after January 1, 2013. The application of the amended standards will, from today's point of view, probably have no significant effects on the Company's consolidated financial statements.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
On June 28, 2012, the IASB published the standard Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12).

The amendments made the transition regulations in IFRS 10 more specific and clearer. It also granted exemptions insofar as the adjusted comparable figures to be disclosed were limited to the directly preceding comparable period on first-time application, and the requirement to disclose comparative information about unconsolidated structured entities was abolished for first-time application of IFRS 12.

Analogously to IFRS 10, IFRS 11 and IFRS 12, these amendments come into force for fiscal years commencing on or after January 1, 2013.

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)
On October 31, 2012, the IASB published the standard Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27). Already from the exposure draft in August 2011, it was proposed that investment entities should be defined as an independent type of company enjoying exemption from the consolidation regulations in IFRS 10 Consolidated Financial Statements. The informational benefit of financial reporting is to be raised through the fair value accounting to be applied instead.

The final standard retains the essential elements of the exposure draft. Fundamental changes concerning the modified definition of an investment entity arise, however. As a consequence, the IASB desisted from a definition using six stringent criteria and instead instituted a less restricted definition (mandatory definition) including additional factors to be taken into account.

These amendments come into force for fiscal years commencing on or after January 1, 2014. Voluntary early application is permitted. Consequently, the first-time application date of the "Investment Entities" standard synchronizes with the first-time application date for the IFRS 10, IFRS 11 and IFRS 12 consolidation standards as proposed by EFRAG.

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 unutilized 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 through 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 acquire, manage and pay their sales partners, in this case website operators, through a joint platform. As part of the affiliate program of the merchant (advertiser), available through 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:

Invoicing on a cost-per-click basis
In the case of cost-per-click invoicing, a billable action occurs if the website visitor clicks on the advertiser's display. The amount per click is fixed.

Invoicing on a cost-per-action basis
A billable action occurs if the website visitor completes a predefined action, such as the registration of a user account or subscription to a mailing list. The amount per action is fixed.

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

Invoicing is 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 as advance payments received less services rendered. In those cases in which services are not billed monthly, service rendered 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 the Euro, the Company's functional and reporting currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are measured 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 result for the period on disposal. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate prevailing on the transaction date. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was calculated. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying amounts 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 items are measured at historical cost on the acquisition date. 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:

	Closing rate		Annual average rate	
(in relation to € 1)	**31.12.2012**	**31.12.2011**	**2012**	**2011**
US Dollar	1.3186	1.2939	1.2855	1.3920
Pound Sterling	0.8158	0.8353	0.8110	0.8679

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative depreciation and cumulative impairment charges. Scheduled depreciation is applied 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 amount. 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 consequently 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 measured at cost less cumulative impairment charges, and is not amortized. 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 (a) fair value of the asset or (b) 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 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. Following this 4-year period, the cash flows are discounted applying 0% growth rates at the Sedo sub-group CGU and 1.0% in the affilinet Germany and affilinet Netherlands CGUs (previous year: 1.0%).

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 discount 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 measured 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 **indefinite** 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 through profit or loss 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 indefinite useful lives, an impairment test is performed at least once annually for the individual asset or at the level of the cash-generating unit. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to ascertain whether the assumption of an indefinite useful life is still justified. If this is not the case, a prospective change is made from indefinite useful life to definable useful life.

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

	Useful life in years
Trademark rights*	Indefinite
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 measured 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 which 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 amount of the investment, and is not amortized. The income statement includes the Company's share of the associated company's total profit. 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 the statement of changes in equity. Gains 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 such assets have suffered impairment. 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, except for goodwill impairment charges, are recognized according to the expense category corresponding to the function of the impaired asset in the Company. This does not apply to previously remeasured 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 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 amount is increased 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 result of the period, unless the asset is carried at the remeasured amount. In this case, the reversal is treated as a revaluation increase. Even if the recoverable amount increases in subsequent years, an impairment loss recognized for goodwill is not reversed.

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 conducted 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 financial investments other than those held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also taken into account.

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 2012 and 2011 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, 2012.

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, 2012.

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 unrealized gains or losses less deferred tax are recognized directly in equity (in the revaluation reserve). If a permanent loss of value is appraised, the losses previously reported in equity are reclassified to other financial income 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 income statement. On December 31, 2012, 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 amount 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 amount is reduced using an impairment account. The impairment loss is recognized through profit or loss.

It is first ascertained whether there is an objective indication for impairment of financial assets, individually or together. If the Group determines 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. Such reversals of impairments are recognized through profit or loss, but are limited to amortized cost at the time when the impairment is reversed.

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 empirical values. The recognized write-downs and receivables are eliminated in the period in which they are classified as uncollectible. The Company bases impairment mainly on due period 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 measured 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 applied to 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 consequently zero is assumed for the sake of simplicity. The extent of 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 amount	100%	85.7%	71.4%	57.1%	42.9%	28.6%	14.3%	0%
Write-down as ratio of carrying amount		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 realizable values than 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 amounts of the respective domain portfolios. For further information please refer to Note 18 "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 measured using the effective interest method at amortized cost.

Profits and losses are recognized when the debts are derecognized, 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, 2012.

Trade payables
Payables are carried at fair value on initial recognition. Following initial recognition, trade payables are measured at amortized cost applying the effective interest method.

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 amounts is recognized in the statement of comprehensive income. Such an exchange or change did not occur in the 2012 and 2011 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 through 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. A current cash settlement commitment exists 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 a 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 through equity instruments.

In the case of plans with settlement through equity instruments, the value components are determined on the commitment date, also for subsequent valuation until maturity, and fair value is determined as of the vesting date. 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 given period comprises both current and deferred tax. Taxes are recognized through profit or loss 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 amount of assets and liabilities in the balance sheet and their fiscal carrying amount (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 on the transaction date (initial differences).

Deferred tax liabilities 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 carried through profit or loss, unless the deferred tax assets and liabilities are formed without affecting profit or loss.

Deferred tax assets and liabilities are offset if there is a correspondingly enforceable legal claim to offsetting 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.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:
- where the value tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the value added 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 value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included under "Other non-financial assets" or "Other non-financial liabilities" in the consolidated balance sheet.

2.5 Significant discretionary decisions and estimates

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain discretionary decisions, 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 amounts 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 amounts 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 amount 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, the management must estimate expected future cash flows and select a suitable discount rate to measure the present value of these cash flows. For further information please refer to Note 10 “Impairment of goodwill and intangible assets with an indeterminable period of utilization”.

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

Deferred tax assets

IAS 12 requires that deferred tax assets are formed for all unutilized tax loss carryforwards and tax credits. Deferred tax assets are carried in the amount that it is probable that taxable income will be available against which the temporary differences and unutilized 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 compensation

The cost of share-based compensation in the form of equity instruments as remuneration for the work rendered by employees (see Note 32 “Employee stock ownership plans”) is measured using the fair value of these equity instruments when 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 consequently do not necessarily correspond to the actual future exercise behavior of beneficiaries or actual achieved dividend returns. Expected volatility is based on historical volatility and the assumption that historical volatility is the best indicator of future trends. Actual volatility can consequently differ from such 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 € 6k as of December 31, 2012 (previous year: € 16k).

Impairment of financial assets

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the impairment volume with regard to expected payment behavior and creditworthiness of customers are subject to significant uncertainties. As of the balance sheet date, adjustments of € 1,554k (previous year: € 1,648k) were made. For further information please refer to Note 16 “Trade accounts receivable”.

Useful lives of tangible and intangible assets

Property, plant and equipment and intangible assets are measured at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are depreciated or amortized over their expected economic useful lives applying the straight-line method. Expected useful lives are based on historical experience and consequently 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 of inventories (domains)
Inventories are measured 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 consequently subject to uncertainties. The carrying amounts of inventories as of the balance sheet date stood at € 1,653k (previous year: € 2,120k). For further details, please refer to Note 18 "Inventories".

Business combinations and goodwill
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 discounting interest rate.

The carrying amounts of goodwill as of the balance sheet date stood at € 12,217k (previous year: € 72,153k). The carrying amounts of intangible assets resulting from business combinations (excluding goodwill) were reported at € 1,195k as of the balance sheet date (previous year: € 899k).

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 29 "Other provisions".

3. Corporate transactions

2012 fiscal year

The company Cleafs B.V., Groningen, The Netherlands, which operates in the Affiliate Marketing segment, was acquired on July 3, 2012. The company, which was founded in 2007, operates affiliate programs in the Netherlands, mainly in the travel, ticketing and retail areas. The acquisition of Cleafs B.V. allows affilinet not only to strengthen and expand its portfolio in these areas, thereby enabling it to anticipate synergy effects through extending its network of advertisers and publishers, but also to acquire Cleafs B.V.'s team of experts' know-how in retailing and ticketing. A total of 100% of the shares in Cleafs B.V. were acquired.

The initial consolidation of Cleafs B.V. was performed applying the purchase method pursuant to IFRS 3 "Business Combinations". The result of the acquired company was included in the consolidated financial statements from the acquisition date.

The market value of the consideration rendered (purchase price) amounted to € 550k, € 425k of which was settled in cash. The contingent consideration of € 125k was recognized as a financial liability, and is tied to the attainment of agreed operating targets. Incidental purchase costs amounted to € 97k, € 77k of which was expensed in the 2012 fiscal year, and € 20k of which was expensed in the 2011 fiscal year.

The fair values of the identifiable assets and liabilities of Cleafs B.V. are as follows:

in €k	
Assets	
Cash and cash equivalents	271
Trade accounts receivable	200
Other financial assets	21
Intangible assets	495
Property, plant and equipment	4
	991
Liabilities	
Trade payables	314
Advance payments received	215
Other current liabilities	88
Deferred tax liabilities	124
	741
Total of identifiable net assets at fair value	**250**
Goodwill arising from the corporate acquisition	300
Consideration rendered	**550**

The goodwill of € 300k primarily reflects synergy effects and corresponding earnings prospects which are to be achieved through both companies' greater network reach to advertisers and publishers. The goodwill was allocated to the "affilinet Netherlands" cash-generating unit in the Affiliate Marketing segment, and is not tax-deductible.

The acquired intangible assets were measured using income-based methods. The fair values of the acquired technology were calculated using the license price analogy method, and the fair value of the customer base was calculated according to the multiperiod excess earnings method. The useful lives of the acquired intangible assets are as follows:

	Fair value (in €k)	Useful life (in years)
Customer base	432	5
Technology	63	1
	495	

The earnings contribution of Cleafs B.V. from the initial consolidation date until December 31, 2012 amounted to € 71k on a sales revenue base of € 1,164k. If Cleafs B.V. had already been included in the consolidation scope as of January 1, 2012, consolidated sales revenue would have amounted to € 133,840k in the 2012 fiscal year, and the consolidated net loss would have stood at € -58,842k.

2011 fiscal year

No corporate transactions occurred in the 2011 fiscal year.

Notes on the Statement of Comprehensive Income

4. Cost of sales

in €k	2012	2011
Direct product costs	97,906	88,057
Write-downs of inventories	469	343
Personnel expenses	7,008	6,535
Depreciation and amortization	242	236
Other costs	2,132	1,955
	107,757	**97,126**

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 78.0% to 81.2%. For an explanation of write-downs of inventories reference is made to Note 18 "Inventories".

5. Selling expenses

in €k	2012	2011
Personnel expenses	8,910	8,497
Depreciation and amortization	315	332
Other costs	4,110	3,944
	13,335	**12,773**

The selling expenses consist of direct selling and marketing expenses, and selling and marketing overhead costs. 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 10.0% (previous year: 10.3%).

6. General and administrative expenses

in €k	2012	2011
Personnel expenses	4,398	3,738
Depreciation and amortization	297	363
Other costs	2,990	3,871
	7,685	**7,972**

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. General and administrative expenses fell compared with the previous year, and the expense ratio compared to sales revenue amounted to 5.8% (previous year: 6.4%). This is primarily due to consultancy expenses included in the previous year as part of a strategy project. The rise in reported personnel expenses is predominately attributable to a positive one-off effect in the second quarter of the previous year which resulted from the derecognition of lapsed SARs due to the respective employees having left the Sedo Holding Group.

7. Other operating expenses

in €k	2012	2011
Currency losses	3,229	5,040
Accounts receivable losses and new allowances for trade receivables	873	546
Other	12	355
	4,114	**5,941**

8. Other operating income

in €k	2012	2011
Currency gains	3,143	5,030
Reversal of allowances for trade receivables	560	365
Other	145	259
	3,848	**5,654**

9. Amortization of assets capitalized in the scope of acquisitions

Amortization of individual assets was as follows:

in €k	2012	2011
Customer base	164	112
Technology	32	-
Trademark	-	9
	196	**121**

Intangible assets capitalized in the scope of acquisitions and related amortization increased as a consequence of the acquisition of Cleafs B.V. 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 indefinite useful lives

Goodwill

Goodwill is impairment-tested at least once per year. As in the previous year, the scheduled impairment test was conducted on the balance sheet date; in addition, an extraordinary goodwill impairment test was performed as of June 30, 2012. The review was made on the level of the cash-generating units to which goodwill has been assigned. The Group has defined a total of four cash-generating units. In the Affiliate Marketing segment, these correspond to regional responsibilities which essentially match the respective subsidiaries of Sedo Holding AG. In the Domain Marketing segment, this comprises the entire Sedo sub-group (excluding IPMC which has been included in the consolidated financial statements as a fully-consolidated company since January 1, 2010).

in €k	Carrying amount as of January 1, 2011	Additions	Impairments	Currency translation differences	Carrying amount as of December 31, 2011	Additions	Impairments	Differences from currency translation	Carrying amount as of December 31, 2012
Affiliate Marketing	**18,571**	**-**	**-3,500**	**-**	**15,071**	**300**	**-3,154**	**-**	**12,217**
affilinet Germany	11,917	-	-	-	11,917	-	-	-	11,917
affilinet France	6,654	-	-3,500	-	3,154	-	-3,154	-	-
affilinet Netherlands	-	-	-	-	-	300	-	-	300
Domain Marketing	**57,079**	**-**	**-**	**3**	**57,082**	**-**	**-57,085**	**3**	**-**
Sedo sub-group	57,079	-	-	3	57,082	-	-57,085	3	-
Total goodwill	**75,650**	**-**	**-3,500**	**3**	**72,153**	**300**	**-60,239**	**3**	**12,217**

Unscheduled goodwill impairment test on June 30, 2012

Contrary to expectations, the weaker business trend in domain parking intensified further in the 2012 fiscal year. The earnings forecast for the 2012 fiscal year was downgraded as a consequence, which the Company communicated by ad hoc announcement on June 5, 2012. This trend accelerated in the second quarter, prompting the Company to perform a goodwill impairment test on June 30, 2012.

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 value-in-use making utilizing cash flow forecasts. The determination of the value-in-use was based on the management-approved planning for the 2012 – 2014 fiscal years for the respective cash generating unit, and which was revised at the end of the first half of 2012, as well as a management assessment for the following 2015 fiscal year. Cash flows accruing after the four-year planning horizon were extrapolated in the affilinet Germany and affilinet France cash-generating units applying a 1.0% growth rate (previous year: 1.0%), and a 0% growth rate in the Sedo sub-group cash-generating unit (previous year: 1.0%).

The determination of the value-in-use was made on the basis of a discounted cash flow assessment. The value-in-use that was calculated roughly corresponds to fair value less costs to sell. The discount rate before tax used for cash flow forecasts varies according to the cash generating unit in a range between 11% and 14% (previous year: 10% to 13%). 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 debt and equity capital. The company-specific 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 figures included in the planning our based on a large number of assumptions so that the calculation of a value-in-use is dependent on discretionary decisions. The ranges of the most important parameters are shown in the following table.

Main assumptions		2012–2015	>2015
Sales revenue growth (in %)	affilinet Germany	5.4 – 17.0	1.0
	affilinet France	0.3 – 20.1	1.0
	Sedo sub-group	-4.3 – -8.9	0.0
Profit margin growth (in percentage points)	affilinet Germany	-0.1 – + 0.3	-
	affilinet France	-0.6 – + 0.4	-
	Sedo sub-group	-1.8 – + 1.2	-
Pre-tax discount rate (in %)	affilinet Germany	10.89	
	affilinet France	12.22	
	Sedo sub-group	14.04	

As part of the goodwill impairment tests on June 30, 2012, impairments of € 3,154k were calculated for the goodwill of affilinet France, and € 57,085k for the Sedo sub-group. No impairment was determined for the goodwill of affilinet Germany, as in the previous year. Contrary to original planning, the turnaround at affilinet France was not achieved in the first half of 2012. The results that were achieved were below both the budget and the previous year's figures. Sales revenue fell in this context; at the same time, the percentage gross profit margin reported a significant decline in the first half of the year. This margin pressure arises from the acquisition of international customers, among other factors. Reasons for the shortfall relative to budget in the first half of the year included technical and organizational problems at some major customers, which fed through to lower sales revenues, as well as the loss of some customers. Taking into account the results for the first half of the year and the unclear market situation due to the difficult economic environment, planning for the subsequent years was reviewed correspondingly. The carrying amount of the affilinet France cash-generating unit consequently exceeds the recoverable amount, leading to an impairment loss of € 3,154k. In the Sedo sub-group, falling sales revenues and margins in the parking business were again reported. An acceleration of this trend in the second quarter of 2012 prompted Sedo Holding AG to undertake a fundamental reassessment of trends in the parking business, which it has appraised on a significantly more pessimistic basis. The Company fails to identify any trend turnaround in the future, and intends to continue the business profitably through adjusting its structures, as well as through exploiting all remaining opportunities. Taking this trend into account, the planning figures for the subsequent years were downgraded accordingly. The carrying amount of the Sedo sub-group cash-generating unit consequently exceeds the recoverable amount, leading to an impairment loss of € 57,085k.

Scheduled impairment test on December 31, 2012

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 value-in-use making use of cash flow forecasts. The determination of the value-in-use was based on the planning for the fiscal year 2013 – 2015 for the respective cash generating unit (which was prepared by the management and approved by the Supervisory Board), as well as a management assessment for the following 2016 fiscal year. Cash flows accruing after the four-year planning horizon were extrapolated in the affilinet Germany and affilinet Netherlands cash-generating units applying a 1.0% growth rate (previous year: 1.0%), and a 0% growth rate in the Sedo sub-group cash-generating unit (previous year: 1.0%).

The determination of the value-in-use was made on the basis of a discounted cash flow assessment. The value-in-use that was calculated roughly corresponds to fair value less costs to sell. The discount rate before tax used for cash flow forecasts varies according to the cash generating unit in a range between 12% and 13% (previous year: 10% to 13%). 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 debt and equity capital. The company-specific 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 ranges of the most important parameters are shown in the following table.

Main assumptions		2013–2016	>2016
Sales revenue growth (in %)	affilinet Germany	10.0 – 20.1	1.0
	affilinet Netherlands	5.0 – 46.7	1.0
Profit margin growth (in percentage points)	affilinet Germany	-0.6 – + 0.1	-
	affilinet Netherlands	-0.1 – + 2.1	-
Pre-tax discount rate (in %)	affilinet Germany	13.26	
	affilinet Netherlands	11.56	
Main assumptions previous year		**2012–2015**	**>2015**
Sales revenue growth (in %)	affilinet Germany	10.0 – 20.2	1.0
	affilinet France	8.0 – 21.7	1.0
	Sedo sub-group	5.9 – 10.3	1.0
Profit margin growth (in percentage points)	affilinet Germany	-1.8 – 0.2	-
	affilinet France	-2.0 – 0.4	-
	Sedo sub-group	0.4 – 3.3	-
Pre-tax discount rate (in %)	affilinet Germany	12.02	
	affilinet France	10.28	
	Sedo sub-group	12.61	

As part of the scheduled goodwill impairment tests on the balance sheet date, no further goodwill impairment was calculated; in the previous year, a goodwill impairment charge of € 3,500k was required for affilinet France. No impairment was determined for the other goodwill, as in the previous year.

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 value-in-use of the cash-generating unit "affilinet Germany" which could lead to the carrying amount of the cash-generating unit exceeding its recoverable amount. The recoverable amount slightly exceeds the carrying amount of cash generating unit of "affilinet Netherlands" so that a negative change of one of the met essential assumptions could lead to an impairment loss. If the growth rates for the years 2013 to 2016 used as the basis for the impairment test of "affilinet Netherlands" had been 1.0% lower, this would have reduced the excess of the recoverable amount over the carrying amount to zero. A reduction of the gross margins for the years 2013 to 2016 used as the basis for the impairment tests for affilinet Netherlands would have had the same effect to the tune of 0.2 percentage points.

The carrying amounts of the intangible assets classified with indefinite useful lives developed in the period under report as follows:

in €k	Carrying amount as of January 1, 2011	Currency translation differences	Derecognition	Carrying amount as of December 31, 2011	Carrying amount as of December 31, 2012
affilinet®	433	n/a	-	433	433
Sedo®	179	n/a	-	179	179
GreatDomains®	53	-7	-46	-	-
	665	**-7**	**-46**	**612**	**612**

11. Financial result

in €k	2012	2011
Interest expenses on overdraft facilities and other interest expenses	-26	-82
Interest expenses	**-26**	**-82**
Interest income from credit balances with banks and other interest income	13	96
Interest income from loans receivable	-	290
Interest income from affiliated companies	172	91
Interest income	**185**	**477**
Interest result	**159**	**395**

The interest charges essentially consist of loan commitment fees, interest on overdraft facilities as well as interest on tax payments resulting from tax office audits.

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

12. Shares and result of associated companies

in €k	2012	2011
Carrying amount at the beginning of the fiscal year	**999**	**956**
Payment of dividends	-	-34
Earnings contributions	53	77
Carrying amount at the end of the fiscal year	**1,052**	**999**

The earnings contributions result from the proportional earnings from DomainsBot Srl and its subsidiary, in which Sedo Holding AG holds 49% indirect interests.

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

in €k	31.12.2012	31.12.2011
Balance sheet figures (pro rata acc. to shareholding)		
Current assets	514	424
Non-current assets	74	72
Current liabilities	202	187
Equity	386	309
Figures in statement of comprehensive income (pro rata acc. to shareholding)		
Sales revenue	374	351
Net result	53	77

13. Income tax expenses and deferred taxes

The income taxes comprise as follows:

in €k	2012	2011
Earnings before taxes	-193	-46
Income taxes for the current period	-1,690	-3,242
Change in deferred tax liabilities	65	54
Change in deferred tax assets	-479	-978
	-2,297	**-4,212**

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 17.0% (previous year: 16.8%).

The Group tax rate of 32.8% (previous year: 32.6%) 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:

in €k	2012	2011
Earnings before taxes	-56,570	3,169
Tax rate	32.8%	32.6%
Expected tax income/expense	**18,555**	**-1,033**
Non-tax-deductible goodwill amortization	-19,758	-1,141
Impairment of deferred tax assets	-375	-720
Non-recognition of deferred tax assets to losses in the fiscal year under review	-462	-898
Tax rate differences between Sedo Holding AG and its subsidiaries	-137	-177
Non-tax-deductible expenses and income and other effects	74	-204
Deviation due to the measurement basis for trade tax	-18	-18
Non-taxable at-equity results	17	25
Actual taxes relating to other periods	-193	-46
Actual income tax expense	**-2,297**	**-4,212**

In fiscal years 2012 and 2011 no reversals of temporary differences occurred 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.

Group deferred taxes are composed as follows:

in €k	31.12.2012	31.12.2011
Different valuation approaches and consolidation adjustments	517	1,004
Total deferred tax assets	**517**	**1,004**
Different valuation approaches and consolidation adjustments	344	287
Total deferred tax liabilities	**344**	**287**

Deferred tax assets

As of December 31, 2012, deferred tax assets totaling € 0.5 million (previous year: € 1.0 million) were recognized by certain Group companies, which resulted solely from actual unutilized tax losses and a surplus of deferred tax assets. The realizability of these deferred tax assets depends on the positive taxable income of the underlying planning.

In the 2012 fiscal year, as in the previous year, no recourse was made to tax loss carryforwards. The total amount of non-capitalized deferred tax assets for loss carryforwards amounts to € 3.3 million (previous year: € 1.9 million). As in the previous year, no deferred tax assets for loss carryforwards were capitalized after the Company had written down the deferred tax assets for loss carryforwards for affilinet France SAS in the 2011 fiscal year.

The change in deferred tax assets was as follows:

in €k	2012	2011
Carrying amount at beginning of the fiscal year	**1,004**	**1,963**
Newly-formed deferred tax assets	64	488
Utilized	176	727
Impairment	375	720
Carrying amount at the end of the fiscal year	**517**	**1,004**

As of the balance sheet date, corporation tax loss carryforwards existed in Germany only with respect to Response Republic Beteiligungsgesellschaft Deutschland GmbH and in an amount of € 3.6 million (previous year: € 3.6 million), which could not be utilized due to the existing profit transfer agreement with Sedo Holding AG. Loss carryforwards also existed with affilinet Ltd., affilinet France SAS and DomCollect Worldwide Intellectual Property AG.

Deferred tax liabilities

At € 344k (previous year: € 287k) the deferred tax liabilities result from the different treatment of capitalized intangible assets from business combinations between IFRS and the tax accounts. The change compared with the previous year is attributable to the release corresponding to the amortization/impairment booked in the reporting period, and results from intangible assets capitalized as part of the acquisition of Cleafs B.V.

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.

As of December 31, 2012, the capital stock was divided into 30,455,890 registered no-par value shares having a notional share in the capital stock of € 1.00 (previous year: 30,455,890 shares). As in the previous year, the Company held no treasury shares as of December 31, 2012. The weighted average number of shares used for the calculation amounted to 30,455,890 in the 2012 fiscal year (previous year: 30,455,890). Based on this number of units undiluted earnings per share amounted to € -1.93 (previous year: € -0.03).

As of December 31, 2012 and 2011, no conversion rights were exercisable. Thus the undiluted earnings per share of € -1.93 (previous year: € -0.03) corresponded with the diluted earnings per share. In the case of a net loss, 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

Cash and cash equivalents amounted to € 6,400k as of December 31, 2012 (previous year: € 21,068k). Cash and cash equivalents generally carry variable interest rates for call money accounts. The sharp year-on-year decline is due to the fact that Sedo Holding AG invests excess liquidity on an overnight basis with United Internet AG, which is reported among receivables due from affiliated companies.

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

16. Trade accounts receivable

in €k	31.12.2012	31.12.2011
Trade accounts receivable from third parties	16,513	15,034
Allowances	-1,554	-1,648
Trade accounts receivable, net	**14,959**	**13,386**

Trade accounts receivable do not carry 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:

in €k	2012	2011
Allowances at the beginning of the fiscal year	**1,648**	**1,856**
Utilization	-353	-
Release	-560	-365
Addition	819	177
Effects of exchange rate changes	-	-20
Allowances at the end of the fiscal year	**1,554**	**1,648**

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.

17. Receivables due from affiliated companies

in €k	31.12.2012	31.12.2011
Trade accounts receivable	132	69
Receivables arising from overnight investment	15,000	-
Total receivables due from affiliated companies	**15,132**	**69**

The term structure of trade accounts receivable which works unimpaired as of the balance sheet date and of receivables due from affiliated companies is as follows:

in €k	Trade accounts receivable due from third parties		Trade accounts receivable due from affiliated companies		Receivables from overnight deposits with affiliated companies	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Neither impaired nor overdue as of the balance sheet date	10,751	8,819	132	69	15,000	-
Not impaired and overdue in the following time bands as of the balance sheet date						
less than 30 days	2,210	2,222	-	-	-	-
between 31 and 60 days	1,151	1,723	-	-	-	-
between 61 and 90 days	273	507	-	-	-	-
between 91 and 120 days	148	-	-	-	-	-
more than 120 days	-	-	-	-	-	-
Total	**3,782**	**4,452**	**-**	**-**	**-**	**-**
Impaired receivables (net)	426	115	-	-	-	-
Carrying amount (net)	**14,959**	**13,386**	**132**	**69**	**15,000**	**-**

18. Inventories

Inventories of € 1,653k (previous year: € 2,120k) 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 € 1,621k (previous year: € 1,427k). This consists of registration costs as well as use of goods for sold domains of € 1,152k (previous year: € 1,084k) as well as € 469k (previous year: € 343k) for reported write-downs of the domain inventories.

19. Income tax receivables

Income tax receivables amounted to € 1,485k as of December 31, 2012. The increase from € 212k as of previous year's balance sheet date results from tax prepayments made.

20. Prepaid expenses

in €k	31.12.2012	31.12.2011
Registration fees for domains	108	115
Rent and associated costs	59	91
IT and telephone costs (software/rent)	59	164
Insurance	106	87
Other prepaid services	64	71
	396	**528**

21. Other financial assets

in €k	31.12.2012	31.12.2011
Security deposits	72	65
Accounts receivable from employees	7	6
Contractually agreed cost reimbursement	-	75
Other	280	86
	359	**232**

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

22. Other non-financial assets

Other non-financial assets increased from € 110k as of the previous year's balance sheet date to € 199k, and arise exclusively from receivables due from the tax office relating to other taxes (value added tax etc.).

23. 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 affected the Affiliate Marketing segment by two thirds, amounted to € 442k in the period under review (previous year: € 517k).

The change in carrying amounts in the fiscal years 2012 and 2011 is shown in the annex to the notes to the consolidated financial statements (statement of changes in fixed assets).

24. Intangible assets

Intangible assets of € 254k were acquired in the 2012 fiscal year (previous year: € 192k plus prepayments of € 409k rendered for intangible assets for IT investments as part of the implementation of the affilinet strategy which was approved in 2010).

Due to the acquisition of Cleafs B.V., an amount of € 495k was also allocated to intangible assets as part of the purchase price allocation. For further information please refer to Note 3 "Corporate transactions".

The change in carrying amounts in the fiscal years 2012 and 2011 is shown in the in the annex to the notes to the consolidated financial statements (statement of changes in fixed assets).

Depreciation and amortization is reported in the following functional costs in the statement of comprehensive income:

in €k	2012			2011		
	Intangible assets	Property, plant and equipment	Total depreciation and amortization	Intangible assets	Property, plant and equipment	Total depreciation and amortization
Cost of sales	61	170	231	64	161	225
Selling expenses	100	227	327	109	196	305
General and administrative expenses	183	113	296	203	151	354
PPA amortization*	196	-	196	121	-	121
	540	**510**	**1.050**	**497**	**508**	**1,005**

*Amortization of intangible assets capitalized in the scope of acquisitions

An impairment charge of € 46k was also applied to the GreatDomains® brand in the 2011 fiscal year. For further information we make reference to Note 10 "Impairment of goodwill and intangible assets with an indefinite period of utilization".

25. Trade payables

Trade accounts payable amounting to € 19,454k (previous year: € 18,153k) are owed to independent third parties and carry terms of less than one year.

26. Liabilities due to affiliated companies

Liabilities due to affiliated companies in an amount of € 12k (previous year: € 100k) arise from trade accounts payable.

27. Liabilities to banks

a) Liabilities to banks

No liabilities to banks existed as of December 31, 2012 and 2011.

b) Credit lines

On May 11, 2012, the Company cancelled the € 500k loan facility that was still available at the end of 2011. As a consequence, the Sedo Holding Group still has the following credit line at one bank (previous year: two banks) as of December 31, 2012.

in € million	31.12.2012	31.12.2011
Bank credit lines and overdraft facilities	0.0	0.5
Utilization as of balance sheet date	0.0	0.0
Unutilized credit lines as of the balance sheet date	**0.0**	**0.5**
Guarantee credit lines	0.3	0.3
Utilization as of balance sheet date	0.3	0.3
Unutilized guarantee credit lines as of the balance sheet date	**0.0**	**0.0**

The guarantee credit facility is for an indefinite term until further notice.

28. Tax provisions

The tax provisions remained at the previous year's level, and are distributed among the following countries:

in €k	31.12.2012	31.12.2011
Germany	206	189
Spain	12	8
USA	-	19
	218	**216**

29. Other provisions

Other provisions of € 197k as of the balance sheet date (previous year: € 334k) relate to litigation risks from pending legal disputes in France (see also Note 38 "Other financial commitments and contingencies"), as well as a provision of € 313k (previous year: € 698k) for losses from current contracts.

in €k	2012	2011
At beginning of the fiscal year	**1,032**	**1,036**
Utilization	605	260
Release	114	41
Addition	197	297
At the end of the fiscal year	**510**	**1,032**

30. Other financial liabilities

in €k	31.12.2012	31.12.2011
Personnel expenses (holidays, bonuses etc.)	1,411	974
Social security	187	163
Consulting (auditing fees, legal advice etc.)	280	339
Annual Shareholders' Meeting, Annual Report, Supervisory Board remuneration	124	115
Volume agreements	406	314
Rent and associated costs	52	87
Other	587	326
	3,047	**2,318**

31. Other non-financial liabilities

in €k	31.12.2012	31.12.2011
Liabilities due to tax office (value added tax, payroll tax etc.)	846	794
Other	81	76
	927	**870**

32. Employee stock ownership plans

The Company's Management Board set up the current employee stock ownership plan with a resolution dated August 1, 2007; nine tranches have been issued since. The employee stock ownership plan serves to allow managers and senior employees to participate in the Company's long-term success and profitability, and is based on 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%. The payment of the value appreciation to the beneficiary is limited to 100% of the issue price (cap).

One SAR corresponds to a virtual subscription right for one share of Sedo Holding AG. However, it is not a share right and consequently 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.

With respect to a partial amount of up to 25%, the option right can be exercised after the expiry of 24 months since the option issue date, regarding a partial amount totaling (in other words, including option rights exercised earlier) up to 50% at least 36 months after the option issue date, regarding a partial amount totaling up to 75% at the earliest 48 months after the option issue date, and regarding the total amount at the earliest after the expiry of 60 months after the option issue date.

On the basis of the existing employee stock option plan, a total amount of € 3k was expensed in the 2012 fiscal year (previous year: € 300k of income). The income in the previous year resulted from the elimination of expired SARs due to the employees concerned leaving the Sedo Holding Group. The increase in the additional paid-in capital resulting from this procedure was analogously € 3k (previous year: € 300k reduction).

No new SARs were issued in the 2012 and 2011 fiscal years.

Issues in 2010

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

Issues in 2009

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

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

Issues in 2008

With a resolution of February 22, 2008, and approval of the Supervisory Board on February 26, 2008, one tranche was approved for issue to senior managers of the Sedo Holding Group. The issue comprises a volume of up to 60,000 virtual stock options at an issue price of € 18.15 (Tranche C). A total of 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 one tranche to former Management Board member Stéphane Cordier. The issued tranche comprises a volume of 200,000 units at an issue price of € 18.60 (Tranche D). With an agreement dated September 29, 2009, Mr. Cordier waived his rights to the 200,000 SARs which had been granted to him but which had not yet been exercised.

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

Issues in 2007

Two issues occurred 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 issue price of € 15.51 (Tranche A). A total of 190,000 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, 20,000 in 2010 and 10,000 in 2012).

With a resolution of November 28, 2007, and approval of the Supervisory Board, a Tranche B was issued to Management Board member Andreas Janssen. Tranche B issued comprises a volume of 200,000 SARs at an issue 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, 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 €**
Expiry	10,000	15.51 €
of which Tranche A	10,000	15.51 €
Outstanding as of December 31, 2012	**80,000**	**9.86 €**

		of which exercisable as of 31.12.2012	2011	of which exercisable as of 31.12.2011
of which Tranche A	40,000	-	50,000	-
of which Tranche I	40,000	-	40,000	-
Weighted average residual term (months)	23		34	

As of the balance sheet date as well as as of the previous year's balance sheet date, no SARs could be excercised since the tranches' excercise price was above the stock price on the balance sheet date. The average weighted residual term of the remaining SARs as of December 31, 2012, was 23 (previous year: 34).

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	Volume	Exercise price	Expected dividend yield	Expected volatility	Expected term	Risk-free interest rate	Present value on issue	Present value per SAR (arithmetic average)
A	03. Sep 2007	230,000	15.51 €	0 %	52.00%	5 years	4.01%	863,075 €	3.75 €
B	28. Nov 2007	200,000	17.41 €	0 %	55.00%	5 years	3.86%	722,500 €	3.61 €
C	22. Feb 2008	60,000	18.15 €	0 %	39.62%	5 years	3.61%	231,300 €	3.86 €
D	06. Mar 2008	200,000	18.60 €	0 %	38.53%	5 years	3.51%	870,000 €	4.35 €
E	30. Oct 2008	7,200	7.43 €	0 %	53.24%	5 years	3.24%	11,880 €	1.65 €
F	25. Mar 2009	30,000	3.72 €	0 %	72.91%	5 years	2.61%	18,450 €	0.62 €
G	30. Mar 2009	100,000	3.72 €	0 %	72.91%	5 years	2.47%	61,500 €	0.62 €
H	25. May 2009	70,000	4.32 €	0 %	77.96%	5 years	2.81%	53,550 €	0.77 €
I	22. Mar 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:

in €k	2012	2011
Tranche A	-3	-24
Tranche B	-	-217
Tranche C	-	-32
Tranche F	-	-5
Tranche G	-	-18
Tranche H	-	-12
Tranche I	6	8
	3	**-300**

The income 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.

33. Equity

Capital stock

The capital stock remained unchanged in the 2012 fiscal year and amounts to € 30,455,890. On the balance sheet date, the capital stock amounted to 30,455,890 registered shares each having a notional share in the capital stock of € 1. All shares are fully issued and paid-in.

As of December 31, 2012, or 2011 respectively, the capital stock was held as follows:

	31.12.2012		31.12.2011	
	€k	%	€k	%
United Internet AG	24,198	79.45	23,998	78.79
Tim Schumacher	1,658	5.45	1,658	5.45
Free float	4,526	14.86	4,391	14.42
Supervisory Board (excluding Tim Schumacher)	74	0.24	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:

in €k	31.12.2012	31.12.2011
Authorized capital 2010; until 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 the 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 capital contributions.

Shareholders must be granted subscription rights in the case of a capital increase against cash capital contributions. 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 the Company's shares with the same terms at the time of finalizing the issue amount, and the shares issued in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Section 186 (3) Clause 4 of the German Stock Corporation Act (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 bonds with warrants 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;
- to exclude 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 capital contributions, especially in connection with the acquisition of companies and shareholdings.

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:

in €k	31.12.2012	31.12.2011
Conditional capital		
2004 (Convertible bond)	1,044	1,044
2010 (bond with warrants or convertible bond); until 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. Due to the recourse through the conversion of convertible bonds in the years 2007 and 2008 the conditional capital decreased by € 206k to € 1,044k.

The conditional capital increase serves as part of the 2004 Employee Stock Option Program to grant conversion rights to the holders of a new convertible bonds which the Company or a subordinate Group company issues by May 16, 2009. It is to be implemented only to the extent that such conversion rights are utilized. 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 related execution.

The due convertible bonds were redeemed in the 2011 fiscal year (€ 1k); no convertible bonds were converted. As a consequence, no more convertible bonds were outstanding as of either the balance sheet date of the period under review nor the previous year's balance sheet date.

Conditional Capital 2010

At the Annual Shareholders' Meeting on May 19, 2010, a conditional increase of capital of € 14.1 million was approved, 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 bonds with warrants 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 bonds with warrants or convertible bonds are not serviced from the stock of treasury shares or authorized capital. It will only be implemented to the extent that the warrant or conversion rights of the aforementioned bonds are exercised, or conversion obligations from such bonds are fulfilled, and providing the bonds with warrants or convertible bonds are not serviced from the stock of treasury shares or authorized capital. The shares are dividend-entitled from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion right. The Company's Management Board is authorized to define further details of the conditional capital increase and related execution.

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 of the German Stock Corporation Act (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.

No treasury shares were acquired during fiscal years 2012 and 2011 on the basis of this authorization.

Reserves

Additional paid-in capital
The additional paid-in capital includes the premiums from the issue of shares, less the transaction costs directly attributable to the equity procurement. The additional paid-in capital also contains the amounts of the reserves legally required in accordance with Section 150 (1) of the German Stock Corporation Act (AktG). This item also includes bookings arising from the recognition of the employee stock option programs. The regulations of Section 150 (3) and (4) of the German Stock Corporation Act (AktG) apply with regard to the use of the additional paid-in capital.

in €k	2012	2011
Additional paid-in capital at the beginning of the fiscal year	**38,469**	**38,769**
Addition (reduction) arising from employee stock option programs	3	-300
Additional paid-in capital at the end of the fiscal year	**38,472**	**38,469**

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 2012 and 2011 fiscal years is presented in the changes in shareholder's equity.

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 € -175k as of December 31, 2012 (previous year: € -202k).

34. Additional disclosures on financial instruments

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

Cash and cash equivalents, trade accounts receivable, other current financial assets and trade accounts payable mostly have short remaining terms. Their carrying amounts on the balance sheet date correspond to their 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.

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 input values that are observable for the asset or liability, either directly or indirectly (Level 2);
- Input values 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.

December 31, 2012 in €k	IAS 39 measurement category	Measurement according to IAS 39: Carrying amount on 31.12.2012	Amortized cost	Fair value through profit or loss	Fair value on 31.12.2012
Assets					
Cash and cash equivalents	lar	6,400	6,400	-	6,400
Trade accounts receivable	lar	14,959	14,959	-	14,959
Receivables due from affiliated companies	lar	15,132	15,132	-	15,132
Other financial assets	lar	359	359	-	359
Equity and liabilities					
Trade payables	flac	19,454	19,454	-	19,454
Liabilities due to affiliated companies	flac	12	12	-	12
Other financial liabilities	flac	3,557	3,557	-	3,557
Of which aggregated by IAS 39 measurement categories:					
Loans and receivables (lar)	lar	36,850	36,850	-	36,850
Financial liabilities measured at amortized cost (flac)	flac	23,023	23,023	-	23,023

December 31, 2011 in €k	IAS 39 measurement category	Measurement according to IAS 39: Carrying amount on 31.12.2011	Amortized cost	Fair value through profit or loss	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
Receivables due from affiliated companies	lar	69	69	-	69
Other financial assets	lar	232	232	-	232
Equity and liabilities					
Trade payables	flac	18,153	18,153	-	18,153
Liabilities due to affiliated companies	flac	100	100	-	100
Other financial liabilities	flac	3,349	3,349	-	3,349
Of which aggregated by IAS 39 measurement categories:					
Loans and receivables (lar)	lar	34,755	34,755	-	34,755
Financial liabilities measured at amortized cost (flac)	flac	21,602	21,602	-	21,602

The following tables present the net gains and losses from financial instruments by measurement categories for the 2012 and 2011 fiscal years.

in €k	IAS 39 measurement category	Net gains and losses from subsequent valuation: from interest and dividends	at fair value	impairment	from disposal	Net result
Loans and receivables	lar	185	-	-259	-54	**-128**
Available-for-sale financial assets	afs	-	-	-	-	**-**
of which carried directly to equity		-	-	-	-	**-**
of which through profit or loss		-	-	-	-	**-**
Financial liabilities measured at amortized cost (flac)	flac	-26	-	-	-	**-26**
2012		**159**	**-**	**-259**	**-54**	**-154**
Loans and receivables	lar	477	-	188	-368	**297**
Available-for-sale financial assets	afs	-	-	-	-	**-**
of which carried directly to equity		-	-	-	-	**-**
of which through profit or loss		-	-	-	-	**-**
Financial liabilities measured at amortized cost (flac)	flac	-82	-	-	-	**-82**
2011		**395**	**-**	**188**	**-368**	**215**

35. 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 and Supervisory Boards
- United Internet AG, Montabaur/Germany, as majority shareholder of Sedo Holding AG and its subsidiaries
- Associated companies of United Internet AG and of Sedo Holding AG

Management and Supervisory Board members

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

As of December 31, 2012 the Supervisory Board of Sedo Holding AG consisted of:

- Michael Scheeren, qualified banker
- Andreas Gauger, businessman
- Tim Schumacher, business studies graduate

Above and beyond this, the Supervisory Board members of Sedo Holding AG were active in the following statutory supervisory boards or in comparable German or foreign executive bodies:

- Michael Scheeren
  - United Internet AG, Montabaur (Deputy Supervisory Board Chairman)
  - United Internet Media AG, Montabaur (Deputy Supervisory Board Chairman)
  - 1&1 Internet AG, Montabaur (Supervisory Board Chairman)
  - Goldbach Media AG, Küsnacht, Switzerland

- Andreas Gauger:
  - Fonpit AG, Berlin
  - Member of the Board of Directors of Finalfolder AG, Baar, Switzerland
  - Member of the Board of Directors of ACAN Invest AG, Baar, Switzerland
  - Member of the Board of Directors of ACAN Management AG, Baar, Switzerland
  - Independent board member at 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 commercial success and profitability. 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 reported in the Company's IFRS consolidated financial statements, which exceeds a minimum amount of € 0.30 per share. Compensation for the Supervisory Board members for the 2012 and 2011 fiscal years is as follows:

	2012			2011		
in €k	Fixed salary	Variable	Total	Fixed salary	Variable	Total
Michael Scheeren (Supervisory Board Chairman)	30	-	30	30	-	30
Andreas Gauger	15	-	15	15	-	15
Tim Schumacher (since June 6, 2012)	9	-	9	-	-	-
	54	**-**	**54**	**45**	**-**	**45**

Ralph Dommermuth was a Supervisory Board member of Sedo Holding AG until the conclusion of the Annual Shareholders' Meeting on June 6, 2012. In agreement with the Supervisory Board members it is the Company's policy not to remunerate for Group-internal Supervisory Board mandates.

On December 15, 2010, affilinet GmbH entered into a consultancy agreement with Mr. Scheeren. Mr. Scheeren thereby supported affilinet GmbH with the practical implementation of the results emerging from a concluded strategy consulting project and in implementing them in the operative business processes. Excluded from this were 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, consultancy services were rendered with a value of € 60k. 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 thereby supports Sedo GmbH with the practical implementation of the results emerging from a concluded strategy consulting project and in implementing them in the operative business processes. Excluded from this are such activities which fall into the area of responsibility of Mr. Gauger as a Supervisory Board member of Sedo Holding AG. In the 2012 fiscal year, consultancy services were rendered with a value of € 3k (previous year: € 17k).

As of December 31, 2012, the Management Board of Sedo Holding AG consisted of four members, namely: Tobias Flaitz, Axel Hamann, 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 performance-related payment of medium-term nature, the payment of which is dependent upon agreed targets and the holding 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 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. A subsequent amendment of performance targets is excluded. In general there is no guaranteed minimum payment of the variable remuneration component, but this could be agreed for the probation period.

Compensation for the Management Board members totaled € 1,209k in the 2012 fiscal year (previous year: € 715k; including € 292k for the Management Board members who left the Company in the 2011 fiscal year, in other words, Andreas Janssen (June 30, 2011) and Tim Schumacher (December 31, 2011)), in line with the following overview.

	Total compensation		Fixed		Variable		Medium-term compensation components	
in €	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Tobias Flaitz*	297,989	-	163,703	-	40,000	-	94,286	n/a
Axel Hamann	300,004	125,002	200,004	100,002	-	25,000	100,000	n/a
Alexander Röthinger	273,258	158,786	173,258	135,595	-	23,191	100,000	n/a
Dr. Dorothea von Wichert-Nick	338,000	139,000	198,000	99,000	40,000	40,000	100,000	n/a
	1,209,251	**422,788**	**734,965**	**334,597**	**80,000**	**88,191**	**394,286**	**n/a**

* since February 1, 2012

The reported variable compensation relates to the 2012 fiscal year. To the extent that the actual level of compensation has not yet been decided upon, a provision was formed as of December 31, 2012; such payments are not disbursed until the subsequent year, or, to the extent that they relate to medium-term bonuses, not until 2015.

Notes on long-term incentive compensation components

The existing long-term incentive components of compensation are based on the plans described in Note 32 "Employee stock ownership plans". Unless stated otherwise, the conditions and functions are identical to the standard conditions described. The level of long-term incentive components of compensation is based on fair value on issue 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 consequently represent vested rights which can now be exercised.

Virtual stock options

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

Details on determining fair value at the time of issue are provided in Note 32 "Employee stock ownership plans" (Virtual Stock Options, Tranche A).

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		
	31.12.2012	31.12.2011	SAR 31.12.2012	Exercise price in €	SAR 31.12.2011
Supervisory Board					
Michael Scheeren	72,656	72,656	-	-	-
Andreas Gauger	1,000	1,000	-	-	-
Tim Schumacher[1]	1,658,493	1,658,393	-	-	-
Ralph Dommermuth (until June 6, 2012)	-	335,357 [2]	-	-	-
Management Board					
Alexander Röthinger	-	-	30,000	15,51	30,000
	1,732,149	**2,067,406**	**30,000**		**30,000**

1) Management Board member until December 31, 2011; Supervisory Board member since June 6, 2012
2) through 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 / United Kingdom
(4) 1&1 Internet Inc., Chesterbrook / USA
(5) 1&1 Internet S.A.R.L., Sarreguemines / France
(6) 1&1 Internet España S.L.U, Madrid / Spain
(7) A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur / Germany
(8) United Internet Media AG, Montabaur / Germany
(9) InterNetX GmbH, Regensburg / Germany
(10) united-domains AG, Starnberg / Germany
(11) United Domains, Inc., Cambridge / USA

The volumes of mutual business are shown in the following table:

in €k	2012	2011
Sales revenues	3,008	2,039
Other income	45	18
Interest income	172	91
Acquired inventories (domains)	58	59
Insurance services	36	39
Other services purchased	532	742
Payments for parked domains and other cost of sales	495	310

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.

affilinet Ltd. makes business premises available to 1&1 Internet Limited; Sedo.com LLC has also sub-rented business premises to United Domains, Inc., Cambridge / USA. Other income results from the rent for the rooms as well as the charging on for services.

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

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 terms 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.

Other services received include the following items:
- Registration fees for domains
- SAP services
- Printed matter and trade 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.

For information about balances with affiliated companies which are still open as of the balance sheet date, please refer to note 17 "Receivables due from affiliated companies" and 26 "Liabilities due to affiliated companies".

Associated companies

Specifically, these relate to DomainsBot Srl and its wholly-owned US subsidiary. Sedo Germany procured € 142k of software services from DomainsBot in the period under review (previous year: € 165k). A liability of € 20k arising from a contractual obligation was also recognized as a liability through profit or loss.

36. 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, default 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-rate risk), market price risks (price risks) as well as competition risks.

Currency risks

The Group operates in the Eurozone as well as through 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. 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 to the Group currency are not taken into consideration. In principle, all non-functional currencies in which Sedo Holding Group is involved in financial instruments are regarded as relevant risk variables.

The main primary 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: EUR/USD and EUR/GBP. The bases for the calculation were the average volatilities of the individual currencies in the year 2012. Assuming upward revaluations of the Euro compared with US Dollar and Pound Sterling of 12% or 9%, the result of the Company from financial instruments would have been € 81k lower (previous year € -72k). In the event of devaluations of the Euro compared with the Pound Sterling and the US Dollar on the same scale, the result from financial instruments would have been € 71k higher (previous year: € 75k).

Interest-rate 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 as well as overnight money invested at United Internet AG) of € 21.4 million (previous year: € 21.1 million). All cash deposits and available credit lines are based on variable interest rates. Ceteris paribus, the risk of change in interest rates consequently corresponds to € 214k p.a. before tax (previous year: € 211k) per 1% change in interest rates.

Price risks

Neither on the balance sheet date nor during fiscal year 2012 did the Company have any available-for-sale financial assets measured 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 specific risks.

Liquidity risks

The Company has sufficient short-term access to 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 so 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 all of its existing credit lines. The due dates of payments to be made by the Company are as follows:

in €k	**Due dates of payment**				
As of December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017 and later**
Trade payables	19,454	-	-	-	-
Liabilities due to affiliated companies	12	-	-	-	-
Other provisions	510	-	-	-	-
Other financial liabilities	2,653	-	394	-	-
Total	**22,629**	**-**	**394**	**-**	**-**
As of December 31, 2011	**2012**	**2013**	**2014**	**2015**	**2016 and later**
Trade payables	18,153	-	-	-	-
Liabilities due to affiliated companies	100	-	-	-	-
Other provisions	1,032	-	-	-	-
Other financial liabilities	2,318	-	-	-	-
Total	**21,603**	**-**	**-**	**-**	**-**

Default and credit risks

The Company is exposed to default risk in the course of its operating activities. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such default 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, risk is held 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 default risk is reflected by the carrying amounts of the financial assets in the balance sheet.

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

The Company has a risk concentration of approx. 17% (previous year: 19%) of trade accounts receivable with two customers (previous year: two) with first-class credit rating. A risk concentration exists 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 consequently 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 consequently 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 be retired.

In the course of the 2012 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.

37. Subsequent events

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

38. Other financial obligations and contingent liabilities

Other financial obligations

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

(1) Rental agreements for offices for the Group's various locations, and
(2) Lease obligations for office equipment and parts of the vehicle fleet.

in €k	Rent	Leasing & other	Total
		31.12.2012	
Up to 1 year	1,258	79	1,337
1 – 4 years	1,802	63	1,865
> 4 years	408	1	409
	3,468	**143**	**3,611**
		31.12.2011	
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**

Lease payments (rent and other operating leases) recognized as an expense in the current fiscal year amount to € 1.7 million (previous year: € 1.5 million).

Contingent liabilities and other obligations

Litigation
Litigation relates to pending proceedings in France, where action has been taken against the Company 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 29 "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 circumstances or earnings.

39. 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 company (Sedo Holding AG) and the following business segments differentiated in line with their ranges of products and services:
- Affiliate Marketing with the affilinet brand
- Domain Marketing with the Sedo brand

Besides the result from the Corporate area (essentially Sedo Holding AG), the reconciliation column contains the effects of consolidation bookings and expenses arising from the employee stock ownership plan.

2012 in €k	Affiliate Marketing	Domain Marketing	Segments total	Recon-ciliation	Total Sedo Holding Group
Sales revenue with third parties	101,028	31,667	**132,695**	-	**132,695**
Inter-segment revenue	7	56	**63**	-63	**-**
Total revenue	101,035	31,723	**132,758**	-63	**132,695**
Contribution	-893	-54,562	**-55,455**	-1,274	**-56,729**
Contribution (adjusted, before goodwill impairment)	2,261	2,523	**4,784**	-1,274	**3,510**
Depreciation and amortization	540	355	**895**	155	**1,050**
of which PPA amortization	75	121	**196**	-	**196**
Goodwill impairment	3,154	57,085	**60,239**	-	**60,239**
Value allowances applied to inventories	-	469	**469**	-	**469**
Personnel expense from employee stock ownership programs	-	-	**-**	3	**3**
Capital expenditure	543	165	**708**	-12	**696**
Interests in associated companies	-	1,052	**1,052**	-	**1,052**
Segment assets	26,985	15,724	**42,709**	14,522	**57,231**
of which goodwill	12,217	-	**12,217**	-	**12,217**
Liabilities	18,988	5,323	**24,311**	200	**24,511**
Employees (as of December 31)	183	153	**336**	9	**345**

2011 in €k	Affiliate Marketing	Domain Marketing	Segments total	Recon-ciliation	Total Sedo Holding Group
Sales 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**
Contribution (adjusted, before goodwill impairment)	2,405	4,729	**7,134**	-860	**6,274**
Depreciation and amortization	323	500	**823**	228	**1,051**
of which PPA amortization	-	121	**121**	-	**121**
of which impairment charges	-	46	**46**	-	**46**
Goodwill impairment	3,500	-	**3,500**	-	**3,500**
Value allowances applied to inventories	-	343	**343**	-	**343**
Personnel expense from employee stock ownership programs	-	-	**-**	-300	**-300**
Capital expenditure	864	192	**1,056**	62	**1,118**
Interests 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 December 31)	169	168	**337**	8	**345**

The management steers operations predominantly on the basis of key earnings figures and nature of expense accounting. In this context, the Management Board utilizes an internal earnings figure for the segments' respective earnings contributions to Group earnings, the so-called "contribution". Contribution is an indicator similar to EBIT, which is adjusted to reflect internal cost allocations and financing effects, and including results from associated companies, and which is intended to reflect the segments' operating strength. Contribution as a proportion of sales generates the contribution margin.

The following table presents the reconciliation between the segment figures and the figures for the Sedo Holding Group.

in €k	2012	2011
Contribution from the segments	-55,455	3,634
Corporate contribution	-1,268	-1,163
Personnel expense from employee stock ownership programs	-3	300
Eliminations from consolidation entries	-3	3
Sedo Holding Group contribution	**-56,729**	**2,774**
Interest and similar expenses	-26	-82
Interest and similar income	185	477
Earnings before taxes	**-56,570**	**3,169**
Income tax expense	-2,297	-4,212
Consolidated net result	**-58,867**	**-1,043**
Segment assets	42,709	101,587
Corporate assets	12,953	11,041
Investments in associated companies	1,052	999
Deferred tax assets	517	1,004
Gross assets of the Sedo Holding Group	**57,231**	**114,631**
Segment liabilities	24,311	28,065
Corporate liabilities	-362	-5,592
Tax provisions	218	216
Deferred tax liabilities	344	287
Gross liabilities of the Sedo Holding Group	**24,511**	**22,976**

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.

2012 Amounts in €k	Germany	Other European countries	Non-Europe	Sedo Holding Group
Sales revenue with third parties	72,290	54,932	5,473	**132,695**
Capital expenditure	642	48	6	**696**
Non-current assets (as of December 31)	11,967	4,025	140	**16,132**
Employees (as of December 31)	241	70	34	**345**

2011 Amounts in €k	Germany	Other European countries	Non-Europe	Sedo Holding Group
Sales revenue with third parties	58,491	61,041	4,944	**124,476**
Capital expenditure	1,049	47	22	**1,118**
Non-current assets (as of December 31)	72,268	3,310	325	**75,903**
Employees (as of December 31)	242	64	39	**345**

The Group generated 15.4% of its sales revenues in the 2012 fiscal year with its largest customer, which is in the Domain Marketing area (previous year: 22.7%).

40. Exemption pursuant to Section 264 (3) of the German Commercial Code (HGB)

The following companies of Sedo Holding Group make use of the provisions of Section 264 (3) of the German Commercial Code (HGB) which exempt them from the first, 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

41. 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 earnings of United Internet AG prepared according to German Commercial Code (HGB) for the preceding 2011 fiscal year amounted to € 179.2 million, and its equity prepared on the same accounting basis stood at € 791.6 million.

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

42. Auditors’ fees

Fees of € 296k were expensed at the Sedo Holding AG level in the 2012 fiscal year (previous year: € 342k). These relate to financial statements services in an amount of € 111k (previous year: € 120k), tax advisory services of € 158k (previous year: € 154k) and other services of € 27k (previous year: € 68k).

Auditors’ fees totaling € 441k were booked at the Group level (previous year: € 493k). These relate to financial statements services in an amount of € 249k (previous year: € 255k), tax advisory services of € 158k (previous year: € 164k) and other services of € 34k (previous year: € 74k).

43. Corporate Governance Code

The Management and Supervisory Boards issued the declaration pursuant to Section 161 of the German Stock Corporation Act (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 7, 2013

The Management Board

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

Audit Opinion

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

"We have audited the consolidated financial statements prepared by the Sedo Holding AG, Cologne, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the combined management report and group management report for the fiscal year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the combined management report and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report and group management report based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn/Frankfurt on the Main, 8 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
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 7, 2013

The Management Board

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

Statement of comprehensive income acc. to IFRS
Quarterly development

in €	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2011 Q4
Sales revenues	34,434,265	32,203,369	32,091,495	33,965,907	32,502,166
Cost of sales	-27,729,160	-26,313,522	-26,420,192	-27,294,490	-25,287,244
Margin in % of sales	19.5%	18.3%	17.7%	19.6%	22.2%
Gross profit	**6,705,105**	**5,889,847**	**5,671,303**	**6,671,417**	**7,214,922**
Selling expenses	-3,073,863	-3,337,681	-3,489,067	-3,434,070	-3,383,375
General and administrative expenses	-1,661,923	-1,955,705	-1,937,703	-2,130,012	-2,050,139
Other operating expenses	-725,807	-1,025,018	-1,462,451	-900,340	-1,508,208
Other operating income	882,439	910,010	1,236,548	819,151	1,528,817
Amortization of assets capitalized in the scope of acquistions	-29,751	-30,393	-68,499	-67,399	-28,973
Amortization of goodwill	0	-60,238,736	0	0	-3,500,000
Operating result	**2,096,200**	**-59,787,676**	**-49,869**	**958,747**	**-1,726,956**
Interest and similar expenses	-2,145	-14,974	-309	-8,130	-13,643
Interest and similar income	65,573	43,072	44,101	32,207	71,976
Result from associated companies	12,491	12,696	23,530	4,349	24,878
Earnings before taxes	**2,172,119**	**-59,746,882**	**17,453**	**987,173**	**-1,643,745**
Income taxes	-890,564	-555,511	-334,580	-516,058	-2,068,281
Net result	**1,281,555**	**-60,302,393**	**-317,127**	**471,115**	**-3,712,026**
Other comprehensive income					
Gains/losses from currency translations after taxes	-24,786	-20,962	-65,061	38,888	-40,499
Other comprehensive income after taxes	**-24,786**	**-20,962**	**-65,061**	**38,888**	**-40,499**
Total comprehensive income after taxes	**1,256,769**	**-60,323,355**	**-382,188**	**510,003**	**-3,752,525**

in €	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2011 Q4
Net result attributable to:					
Shareholders of Sedo Holding AG	1,272,268	-60,316,225	-303,985	456,582	-3,705,756
Non-controlling interests	9,287	13,832	-13,142	14,533	-6,270
Total comprehensive income attributable to					
Shareholders of the parent company	1,242,991	-60,327,597	-373,826	491,979	-3,743,484
Non-controlling interests	13,778	4,242	-8,362	18,024	-9,041
Earnings per share					
basic/diluted (€/share), from net result attributable to the holders of registered ordinary shares of the Company	0.04	-1.98	-0.01	0.02	-0.12
Weighted avererage number of shares outstanding (basic/diluted)	30,455,890	30,455,890	30,455,890	30,455,890	30,455,890

Glossary

Advertiser
In the case of affilinet, a vendor operating affiliate programs (see publisher).

Affiliate Marketing
Affiliates are the sales partners of commercial websites. Affiliates place advertising (e.g. banners or text links) on their website which leads to a commercial offering. If a lead is generated via such links (e.g. a purchase), the affiliate receives a payment or commission.

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

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

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

Content
Refers to the content displayed on internet pages.

Domain
The unique address of an internet site, e.g. www.sedo.com.

Domainparking
Domains provided to Sedo by their owners for marketing purposes (Domain Marketing) and thus to generate additional income.

Lead
A contact, customer request or any other pre-defined action caused by a specified advertising activity (see also pay-per-lead).

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

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

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

Publisher
Website operator who publishes material provided by advertisers on his website on a commission basis.

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

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

Unique User
The number of unique users shows how many individual persons had contact with an advertising medium.

Financial Calendar/Imprint

Financial Calendar 2013*	
MAY 14, 2013	Publication Quarterly Report 2013
JUNE 4, 2013	Annual Shareholders' Meeting in Cologne
AUGUST 14, 2013	Publication 6-Month Report 2013 and Analyst Meeting
NOVEMBER 13, 2013	Publication 9-Month Report 2013

* Subject to prior change. In accordance with statutory obligations, all amendments are published on our website (www.sedoholding.com) in the section Investors, Calendar.

This annual report is available in German and English. Both versions can be downloaded from www.sedoholding.com, in the section Investors, Reports. In all cases of doubt, the German version shall prevail.

Disclaimer

This Annual Report contains certain forward-looking statements which reflect the current views of Sedo Holding AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this Annual Report are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which Sedo Holding AG often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of Sedo Holding AG. Sedo Holding AG does not intend to revise or update such forward-looking statements.

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Sedo Holding AG,

Cologne

Parent Company Financial Statements

acc. to HGB

as of December 31, 2012

Sedo Holding AG, Cologne
Balance sheet as of December 31, 2012

Assets	EUR	EUR	31.12.2011 EUR
A. Fixed assets			
I. Intangible assets			
Commercially acquired concessions, industrial protection rights and similar rights and values as well as licenses to such rights and values		24,135.00	167,939.00
II. Tangible assets			
Other equipment, operational and office equipment		24,152.00	46,694.00
III. Financial assets			
1. Shares in affiliated companies	49,975,420.14		49,975,420.14
2. Loans to affiliated companies	34,300,000.00		34,300,000.00
		84,275,420.14	84,275,420.14
		84,323,707.14	84,490,053.14
B. Current assets			
I. Accounts receivable			
1. Trade accounts receivable	0.00		25,868.47
2. Accounts receivable from affiliated companies	16,139,322.91		6,226,189.07
3. Other assets	1,442,705.34		231,952.52
		17,582,028.25	6,484,010.06
II. Cash on hand and on deposit with banks		4,861,267.96	19,701,304.40
		22,443,296.21	26,185,314.46
C. Prepayments and accrued income		16,534.46	3,888.84
		106,783,537.81	110,679,256.44

Liabilities	EUR	EUR	31.12.2011 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 loss / profit	-57,134,243.18		1,126,929.86
		39,523,758.13	97,784,931.17
B. Provisions			
1. Tax provisions	206,142.08		189,353.22
2. Other provisions	995,422.36		1,058,750.74
		1,201,564.44	1,248,103.96
C. Liabilities			
1. Trade accounts payable	74,346.15		146,913.19
2. Accounts payable due to affiliated companies	65,951,640.85		11,386,768.57
3. Other liabilities	32,228.24		37,539.55
of which, for taxes EUR 26,686.96 (p.y. EUR 35,471.43)			
of which, for social security EUR 0.00 (p.y. EUR 0.00)			
		66,058,215.24	11,571,221.31
D. Deferred income		0.00	75,000.00
		106,783,537.81	110,679,256.44

[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 2012

		EUR	EUR	2011 EUR
1.	Sales revenues	1,829,251.92		2,195,988.88
2.	Other operating income of which from currency gains EUR 248,402.27 (p.y. EUR 1,276,594.95)	408,129.82		1,286,482.70
			2,237,381.74	3,482,471.58
3.	Cost of materials Cost of purchased services	468,950.55		1,315,417.45
4.	Personnel expenses			
	a) Wages and salaries	1,458,393.28		967,302.25
	b) Social security and other pension costs, of which in respect of old-age pensions EUR 0,00 (p. y. EUR 0.00)	56,538.31		99,690.48
5.	Depreciation and amortization of intangible assets and tangible assets	155,048.14		228,314.80
	b) of current assets, provided that those exceed the usual depreciation and amortization of the corporation	4,880,000.00		0.00
6.	Other operating expenses of which from currency losses EUR 353,333.23 (p.y. EUR 840,617.29)	1,341,209.67		1,987,330.72
			8,360,139.95	4,598,055.70
7.	Income from profit-transfer agreements	394,224.80		3,438,314.61
8.	Expenses from profit-transfer agreements	52,144,313.47		0.00
9.	Income from other securities and long-term loans of which from affiliated companies EUR 805,256.63 (p.y. EUR 1,149,835.21)	805,256.63		1,440,275.36
10.	Other interest and similar income of which from affiliated companies EUR 392,582.19 (p.y. EUR 399,976.52)	405,052.64		494,464.92
11.	Interest and similar expenses of which to affiliated companies EUR 133,626.06 (p.y. EUR 262,518.10)	157,701.84		343,683.33
			-50,697,481.24	5,029,371.56
12.	Result from ordinary activities		-56,820,239.45	3,913,787.44
13.	Income taxes	1,439,295.02		2,778,134.50
14.	Other taxes	1,638.57		8,723.08
			1,440,933.59	2,786,857.58
15.	Net loss / profit		-58,261,173.04	1,126,929.86
16.	Gains carried forward from previous year		1,126,929.86	0.00
17.	Accumulated loss / profit		-57,134,243.18	1,126,929.86

Sedo Holding AG, Cologne

Notes to the 2012 financial statements

General remarks

These annual financial statements have been prepared pursuant to Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code (HGB) in the version of the German Accounting Law Modernization Act (BilMoG), as well as according to the relevant regulations of the German Stock Corporation Act (AktG). The regulations for large corporations apply.

The income statement is prepared according to the nature of expense 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

Acquired **intangible assets** 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).

Tangible fixed assets are valued at acquisition or production cost, and depreciated, insofar as they comprise depreciable assets, over their normal useful lives.

Tangible fixed assets 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 depreciation of tangible fixed assets is otherwise realized pro rata temporis.

In the case of **financial assets**, shares are recorded at the lower of the acquisition cost or fair 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. 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** take into account all contingent liabilities and possible losses from pending transactions. They are recognized at the level deemed necessary according to sound commercial judgment (i.e.

including future increases in costs and prices). Provisions with a remaining term of more than one year are discounted.

Liabilities are recognized 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 carryforwards, 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 are not discounted. Deferred tax assets and liabilities are shown without offsetting.

Currency translation

Assets and liabilities denominated in foreign currencies are converted in principle using the spot exchange rate on the balance sheet date. Given a remaining term to maturity of more than one year, the realization principle (Section 252 [1] No. 4 Sub-clause 2 of the German Commercial Code [HGB]) and the acquisition cost principle (Section [1] Clause 1 of the German Commercial Code [HGB]) is applied.Notes to the balance sheet

Fixed assets

The development of individual fixed asset items and annual depreciation and amortization amounts are shown in the statement of changes in fixed assets, which is attached as an annex to these notes to the financial statements.

The Company's financial assets essentially consist of shares in affiliated companies and loans to affiliated companies.

Shareholdings

	Currency	Interest	Equity	Net result
		%	in million l.c.	in million l.c.
Germany				
Response Republic Beteiligungsgesellschaft 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/United Kingdom[3]	GBP	100	-4.5	-1.0
affilinet France SAS, Saint-Denis/France[3]	EUR	100	4.5	-0.3
affilinet España SLU, Madrid/Spain [3]	EUR	100	0.1	0.0
affilinet Nederland B.V., Haarlem/The Netherlands [3]	EUR	100	0.2	0.1
Cleafs B.V., Groningen/The Netherlands [3]	EUR	100	0.0	0.0
DomCollect Worldwide Intellectual Property AG, Zug/Switzerland[3]	EUR	100	-2.6	0.0
DomainsBot s.r.l, Rome/Italy[3]	EUR	49	0.8	0.1
DomainsBot Inc., San Francisco/USA[3]	USD	49	0.2	0.0
Intellectual Property Management Company Inc., Delaware/USA USA[3]	USD	49	-0.5	0.1
Sedo London Ltd., London/United Kingdom[3]	GBP	100	0.1	0.1
Sedo.com LLC, Boston/USA[3]	USD	100	2.4	0.8

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. On December 30, 2011, this loan was extended on the same conditions until December 31, 2014. As of the balance sheet date, the loan carried 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. This loan carried a maximum term until December 31, 2011; however, it was extended on the same terms until December 31, 2014. As of December 31, 2012, 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 fully written down in fiscal year 2008.

Deferred taxes

Temporary differences arise between the profit/loss according to German commercial law accounting and tax law accounting. These differences arise, firstly, from different approaches to measuring participating interests between German commercial law accounting and tax law accounting. Secondly, unrealized exchange rate gains are not taken into consideration in tax accounts; such exchange rate gains arise primarily from the measurement on the balance sheet date of intercompany positions (receivables and liabilities) which are denominated in US dollars. A tax rate of 30.96 % is applicable for the calculation of deferred tax. By way of exercising the option pursuant to Section 274 of the German Commercial Code (HGB), the surplus of deferred tax assets as of December 31, 2012 was not capitalized.

Receivables and other assets

	31/12/2012 €k	31/12/2011 €k
Trade receivables	0	26
of which with a residual term of more than one year	0	0
Receivables from affiliated companies	1,114	6,226
of which with a residual term of more than one year	0	0
Receivables due from a shareholder	15,025	0
of which with a residual term of more than one year	0	0
Other assets	1,443	232
of which with a residual term of more than one year	0	0
	17,582	6,484

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 cash pool receivables.

This item also includes a receivable due from the shareholder in an amount of € 15,025 thousand as of December 31, 2012. This is composed of an overnight deposit in an amount of € 15,000 thousand and € 25 thousand for outstanding interest payments.

The increase in other assets arises primarily from tax prepayments rendered to the tax authorities.

Cash and cash equivalents

The Company held liquid funds of € 4,861 thousand as of December 31, 2012 (previous year: € 19,701 thousand). The sharp year-on-year decline is due to the fact that Sedo Holding AG deposits excess liquidity overnight with United Internet AG, which is reported among receivables due from affiliated companies.

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:

Guarantee credit lines as of December 31, 2012	in million EUR
Commerzbank AG	0.3
Total:	**0.3**

Capital stock

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 notional amount in the capital stock of € 1.00 each.

With a resolution of the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized to increase the capital stock by up to € 15,200,00 (Authorized capital). 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 against cash or non-cash capital contributions. 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.

In addition, the 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 serves to grant conversion rights to bearers of convertible bonds. The conditional capital increase in 2010 served to grant shares to the owners or creditors of bonds with warrants 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, 2012 capital stock was held as follows:

	TEUR	%
United Internet AG	24,198	79.45
Tim Schumacher	1,658	5.45
Free float	4,526	14.86
Supervisory Board	74	0.24
	30,456	100.0

The additional paid-in capital as of December 31, 2012, was € 66,202k, as in the previous year.

Accumulated loss / profit

Sedo Holding AG reports a net loss for the year of € 58,261 thousand (previous year: net profit for the year of € 1,127 thousand).

The accumulated loss amounted to € 57,134 thousand as of December 31, 2012 (previous year: accumulated profit of € 1,127 thousand).

Other provisions

	31/12/2012 €k	31/12/2011 €k
Tax provisions	206	189
Other provisions	996	1,059
	1,202	1,248

The other provisions mainly consist of accrued risks arising from current contracts of € 313 thousand (previous year: € 698 thousand). The other provisions are also primarily attributable to personnel-related provisions such as bonuses, commissions and holidays outstanding (€ 418 thousand; previous year: € 48 thousand), provisions for auditing and consultancy costs (€ 129 thousand; previous year: € 158 thousand), Supervisory Board compensation (€ 54 thousand; previous year: € 45 thousand), and for the Annual Shareholders' Meeting and the annual report (€ 71 thousand; previous year: € 70 thousand).

Liabilities

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

Schedule of liabilities

	31/12/2012 €k			31/12/2011 €k		
	Residual term		Total	Residual term		Total
Type of liability	Up to 1 year	1 to 5 years		Up to 1 year	1 to 5 years	
1. Trade accounts payable	74	0	74	147	0	147
2. Liabilities due to affiliated companies	65,952	0	65,952	11,387	0	11,387
3. Other liabilities	32	0	32	37	0	37
- of which tax	27	0	27	35	0	35
- of which social security	0	0	0	0	0	0
	66,058	0	66,058	11,571	0	11,571

Virtual stock options

The Management Board of Sedo Holding AG set up a new employee stock ownership plan with a resolution passed on August 1, 2007.

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 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 %. The payment of the value appreciation to the entitled person is limited to 100 % of the issue price.

One 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 exercise 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. A current cash settlement commitment exists 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 a 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 total amount may be exercised at the earliest after the expiry of 60 months following the option issue date.

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**). 40,000 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; of these, 10,000 SARs relate to the 2012 fiscal year.

With a resolution of November 28, 2007 and approval of the Supervisory Board, a second **Tranche B** was issued to the Management Board member Andreas Janssen. The issued tranche comprises a volume of 200,000 units at an issue 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.

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 an issue price of € 18.15 (**Tranche C**). All SARs and related option rights have lapsed the since the respective employees have left the Sedo Holding Group.

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 an exercise 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 an exercise 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 volume of the seventh **Tranche G** which was issued comprises 100,000 units at an exercise 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. All SARs and related option rights have lapsed the since the respective employees have left the Sedo Holding Group.

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 manager of the Sedo Holding Group. The resolution comprises a volume of 40,000 virtual stock options at a subscription price of € 4.21.

As of December 31, 2012, as was also the case as of the previous year's balance sheet date, no provision for pending utilization was formed since the share price of Sedo Holding AG was below the respective exercise prices in the case of all tranches, as a consequence of which exercise was unlikely.

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

	31/12/2012 €k	31/12/2011 €k
Tranche A	203	210
Tranche I	26	26

This resulted in the following average market values:

	EUR
Tranche A	5.06
Tranche I	0.65

The following assumptions were applied:

Tranche A

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

Tranche I

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

Financing

Due to the Company's sufficient liquidity position, the Company cancelled its € 500 thousand credit line on May 11, 2012, which was still available at the end of 2011. A guarantee credit facility of € 300 thousand existed as of December 31, 2012, of which the Company was utilizing € 254 thousand.

The liabilities of Sedo Holding AG to affiliated companies result mainly from the adoption of losses from one profit transfer agreement and Sedo Holding Group's internal cash pool plus interest. In this connection, please refer to the notes on the cash and cash equivalents.

Contingent liabilities

In a letter dated May 11, 2012, the Company made a commitment to affilinet Ltd., London, UK, to acquire the liabilities of this subsidiary in the event of possible insolvency. The firm letter of comfort is intended to secure the continued existence of affilinet Ltd. for a period of at least 12 months after the annual financial statements have been signed.

In a letter dated January 31, 2013, the Company made a commitment to France SAS, Saint-Denis, France, to acquire the liabilities of this subsidiary in the event of possible insolvency. The firm letter of comfort is intended to secure the continued existence of affilinet France SAS for a period of at least 12 months after the annual financial statements have been signed.

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 2012, DomCollect Worldwide Intellectual Property AG posted a net loss of € 45k. As of December 31, 2012, the company is overindebted. As of December 31, 2012, 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 January 31, 2013, 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 utilization of the contingent liabilities, 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 relate to the following specific matters:

	Term			Total
Type of other financial obligation in €k	Up to 1 year	Over 1 up to 5 years	Over 5 years	
Payment obligations arising from rental 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 € 1.8 million was generated within the Group, mainly resulting from the passing on of costs arising from existing service agreements with the subsidiary companies.

The Company generated no sales revenue with third parties in the 2012 fiscal year. In the previous year, the sales revenue from third parties of € 0.1 million largely resulted from revenues of the media companies sold in 2009. This related to services that Sedo Holding AG rendered for its former subsidiary companies.

Other operating income

Other operating income of € 0.4 million (previous year: € 1.3 million) is largely the result of the reversal of a provision for risks arising from currency valuations (previous year: € 0.3 million), and the release of bad debt allowances of receivables (€ 0.1 million).

Income from profit transfer agreements

Income from investments results from the profit transfer agreement between Sedo Holding AG and affilinet GmbH in an amount of € 394 thousand (previous year: € 622 thousand), and in the previous year with Response Republic Beteiligungsgesellschaft Deutschland GmbH in an amount of € 2,816 thousand.

Expenses arising from profit transfer agreements

Expenses arising from the adoption of losses amounted to € 52,144 thousand, and arise from the transfer of profits and losses from Response Republic Beteiligungsgesellschaft Deutschland GmbH to Sedo Holding AG. The loss results mainly from an impairment charge to the participation carrying amount of Sedo GmbH.

Depreciation and amortization of current assets, provided that those exceed the usual depreciation and amortization of the corporation

This item comprises write-downs to intercompany cash pool receivables due from affilinet Ltd. in an amount of € 4.9 million.

Other operating expenses

Other operating expenses of € 1.3 million (previous year: € 2.0 million) result mainly from currency valuation expenses of € 0.4 million (previous year: € 0.8 million), legal, consulting and auditing costs of € 0.3 million (previous year: € 0.5 million), travel costs of € 0.2 million (previous year: € 0.1 million), third-party IT services and software licenses of € 0.1 million (previous year: € 0.3 million), and costs connected with the stock market listing (Annual Shareholders' Meeting , annual report etc.) of € 0.2 million (previous year: € 0.1 million).

Income taxes

Income taxes in the 2012 fiscal year amount to € 1.4 million (prev. year: € 2.8 million). Of this amount, € 1.2 million is attributable to ordinary business activities (previous year: € 2.7 million), and € 0.2 million (previous year: € 0.1 million) represents expenses unrelated to the accounting period under review. This arose from the adjustment of tax receivables, and provisions arising from the subsequent effects of the external tax audit for the 2006 to 2008 years.

Other disclosures

Management Board

As of December 31, 2012, the Management Board of Sedo Holding AG consisted of four members: Tobias Flaitz (Management Board responsible for Marketing/Sales at Sedo, since February 1, 2012), Axel Hamann (Management Board member responsible for Finance), Alexander Röthinger (Management Board responsible for Technology), and Dr. Dorothea von Wichert-Nick (Management Board member responsible for Marketing/Sales at affilinet).

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 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 component 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 2012 amounted to € 1,209k (previous year: € 715k). Of this amount, € 735 thousand (previous year: € 611 thousand) was attributable to the fixed component, € 80 thousand (previous year: € 104 thousand) to the variable component, and € 394 thousand to the medium-term bonus, for which a provision was formed pro rata. Of the previous year's compensation, € 292 thousand was attributable to the Management Board members who left the Company in the 2011 fiscal year.

In accordance with the terms of his service contract, Mr. Flaitz receives performance-oriented compensation of € 80k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A range of between 90 % and a maximum of 120 % generally applies for the target attainment; in other words, no payment is paid below 90 %, and when the target attainment reaches 120 %. Mr. Flaitz also receives a performance-related 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. The aforementioned range of 90 % and a maximum of 120 % also apply to this compensation component.

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 range of between 90 % and a maximum of 120 % generally applies for the target attainment; in other words, no payment is paid below 90 %, and when the target attainment reaches 120 %. Mr. Hamann also receives a performance-related 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. The aforementioned range of 90 % and a maximum of 120 % also apply to this compensation component.

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 range of between 90 % and a maximum of 120 % generally applies for the target attainment; in other words, no payment is paid below 90 %, and when the target attainment reaches 120 %. Dr. von Wichert-Nick also receives a performance-related 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. The aforementioned range of 90 % and a maximum of 120 % also apply to this compensation component.

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 range of between 90 % and a maximum of 120 % generally applies for the target attainment; in other words, no payment is paid below 90 %, and when the target attainment reaches 120 %. Mr. Röthinger also receives a performance-related 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. The aforementioned range of 90 % and a maximum of 120 % also apply to this compensation component. Mr. Röthinger also received 30,000 SARs (Tranche A) at an exercise price of € 15.51 as part of the Stock Appreciation Rights (SAR) agreement. The fair value of the tranche amounts to € 152k.

Total remuneration was divided as follows:

	2012			
	Fixed	Variable	Medium-term	Total
Tobias Flaitz (since February 1, 2012)	164	40	94	298
Axel Hamann	200	0	100	300
Alexander Röthinger	173	0	100	273
Dr. Dorothea von Wichert-Nick	198	40	100	338
	735	80	394	1,209

The variable remuneration shown refers to the 2012 fiscal year. Insofar as the actual level has not yet been decided, a provision was formed for it as of December 31, 2012; payment does not occur until the subsequent year or, to the extent that it relates to the medium-term bonus, until 2015.

Supervisory Board

As of December 31, 2012, the Supervisory Board of Sedo Holding AG consisted of:

Michael Scheeren, qualified banker

Andreas Gauger, businessman

Tim Schumacher, business studies graduate

The Supervisory Board members of Sedo Holding AG were also active in the following statutory supervisory boards or comparable German or foreign executive bodies:

Michael Scheeren:

- United Internet AG, Montabaur (Deputy Supervisory Board Chairman)
- United Internet Media AG, Montabaur (Deputy Supervisory Board Chairman)
- 1&1 Internet AG, Montabaur (Supervisory Board Chairman)
- Goldbach Media AG, Küsnacht, Switzerland

Andreas Gauger:

Fonpit AG, Berlin,
Member of the Board of Directors of Finalfolder AG, Baar, Switzerland
Member of the Board of Directors of ACAN Invest AG, Baar, Switzerland
Member of the Board of Directors of ACAN Management AG, Baar, Switzerland
Independent board member at Parallels Inc., Bermuda

For the fiscal year 2012, the members of the Supervisory Board receive remuneration totaling € 54k (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 chairperson of the Supervisory Board receives the double amount. In addition to this fixed amount, each Supervisory Board member (including the chairperson) 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, 2012, the Supervisory Board held 1,732,149 shares. This total was divided as follows:

	Shareholding	
	31/12/2012	**31/12/2011**
Michael Scheeren	72,656	72,656
Andreas Gauger	1,000	1,000
Tim Schumacher (since June 6, 2012),	1,658,493	-
Ralph Dommermuth (until June 6, 2012),	-	335,357 1
Total	1,732,149	409,013

[1] through Ralph Dommermuth Beteiligung GmbH

Employees

In the past fiscal year, the Company employed an annual average of 5 (previous year: 9) full-time staff.

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

	2012	2011
Administration	5	9
	5	**9**
Management Board	4	4
Total	**9**	**13**

Group relationships

In accordance with Section 315a of the German Commercial Code (HGB), Sedo Holding AG prepared consolidated annual financial statements for the 2012 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 ultimate group parent company, which are published in the electronic Federal Gazette.

Appropriation of profit

The Management Board concurs with the Supervisory Board in bringing forward to a new account the accumulated loss of € 57,134 thousand.

Auditors' fees

In fiscal year 2012, fees of € 296k (previous year: € 342k) were invoiced on the level of Sedo Holding AG. These include auditing fees of € 111k (previous year: € 120k), tax consultancy services of € 158k (previous year: € 154k) and other services of € 27k (previous year: € 68).

Obligatory disclosures pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Mr. Ralph Dommermuth notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), 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). Of these voting rights, 82.45 % (21,275,408 of voting rights) were attributed to him pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

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

Mr. Tim Schumacher notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that on November 20, 2009, his percentage of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur, exceeded the thresholds of 3 % and 5 %. As of the aforementioned date, Mr. Tim Schumacher held 5.45 % of our capital stock (1,658,393 voting rights).

Mr. Ulrich Priesner notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that on November 20, 2009, his percentage of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur, exceeded the threshold of 3 %. As of the aforementioned date, Mr. Ulrich Priesner held 4.09 % of our capital stock (1,246,436 voting rights).

Mr. Marius Würzner notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that on November 20, 2009, his percentage of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur, exceeded the threshold of 3 %. As of the aforementioned date, Mr. Marius Würzner held 3.72 % of our capital stock (1,133,540 voting rights).

Corporate Governance Code declaration pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory boards of Sedo Holding Media AG submitted their statutory declaration for 2012 pursuant to Section 161 of the German Stock Corporation Act (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 7, 2013

The Management Board

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

Sedo Holding AG, Cologne
Development of fixed assets 2012

		Acquisition and production costs					Accumulated depreciation and amortization					Carrying values	
		1.1.2012 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31.12.2012 EUR	1.1.2012 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31.12.2012 EUR	31.12.2012 EUR	31.12.2011 EUR
I.	**Intangible assets**												
	Commercially acquired concessions, industrial protection rights and similar rights and values as well as licenses to such rights and values	2,716,191.45	0.00	0.00	0.00	2,716,191.45	2,548,252.45	143,804.00	0.00	0.00	2,692,056.45	24,135.00	167,939.00
II.	**Property, plant and equipment**												
1.	Other equipment, operational and office equipment	409,346.01	0.00	75,176.65	26,994.50	361,163.86	366,393.01	8,602.00	63,169.65	26,994.50	338,819.86	22,344.00	42,953.00
2.	Low value economic goods	10,762.29	709.14	709.14	11,548.10	22,310.39	7,021.29	2,642.14	709.14	11,548.10	20,502.39	1,808.00	3,741.00
		420,108.30	709.14	75,885.79	38,542.60	383,474.25	373,414.30	11,244.14	63,878.79	38,542.60	359,322.25	24,152.00	46,694.00
III.	**Financial assets**												
1.	Shares in affiliated companies	49,975,420.14	0.00	0.00	0.00	49,975,420.14	0.00	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	0.00	36,302,276.34	2,002,276.34	0.00	0.00	0.00	2,002,276.34	34,300,000.00	34,300,000.00
		86,277,696.48	0.00	0.00	0.00	86,277,696.48	2,002,276.34	0.00	0.00	0.00	2,002,276.34	84,275,420.14	84,275,420.14
		89,413,996.23	709.14	75,885.79	38,542.60	89,377,362.18	4,923,943.09	155,048.14	63,878.79	38,542.60	5,053,655.04	84,323,707.14	84,490,053.14

Audit opinion

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report and group management report of Sedo Holding AG, Cologne, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and combined management report and group management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report and group 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 combined management report and group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management report and group management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt on the Main, 8 March 2013

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [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 7, 2013

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.