

Quarterly Report III

2008

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# Interim Consolidated Financial Statements for the third Quarter and first nine month of the 2008 Business Year

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ARBOmedia AG Group

## A) Management report of the ARBOmedia AG Group

### 1. Business activities

The ARBOmedia AG Group (hereinafter also referred to as “ARBOmedia” or “ARBOmedia Group”) specialises in selling advertising time and space in the TV, print, Internet and radio media. Alongside these marketing activities, the ARBOmedia Group also pursues the goal of extending its value chain by running its own media and communication platforms and integrating these into its advertising marketing activities.

ARBOmedia’s business activities focus on Eastern Europe – in particular the Czech Republic, Poland and Romania – but it also has operations in other eastern and southern European countries.

### 2. Course of business of the ARBOmedia AG Group

In the first three quarters of 2008, the ARBOmedia Group systematically drove forwards the restructuring of the Group started the previous year. Within this context, there were main changes in the third quarter: Firstly, the Swiss company Goldbach Media Group acquired a majority stake in ARBOmedia AG in mid September. This brought with it a change in the members of the executive and supervisory boards of ARBOmedia. Secondly, ARBOmedia also sold its subsidiary ARBOmedia.net Praha spol. s r.o., in September. With this move the Group separated itself entirely from its television marketing activities in the Czech Republic and implemented a further change in strategy. The television marketing will no longer play a major role at ARBOmedia in the future. Instead, the company will be concentrating more on Internet marketing.

The sale of ARBOmedia.net Praha was organised and executed by the existing management, which had already realised numerous measures within the framework of the restructuring. For example, it had established the new competence-centre structure for the three main fields of activity in the Group,

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further simplified the organisational structure and focused the Group more on its core activities, abandoning less promising and unprofitable fringe activities.

Within the scope of the competence-centre structure, operative responsibility for the Internet segment was allocated to ARBOmedia Polska Sp.zo.o., Warsaw, while the Publishing and Supplementary Business activities were managed in the Romanian company EMI European Media Investment AG. The competence centre for the TV segment was ARBOmedia.net Praha until its sale in September.

In the context of the increased focus on the core activities, ARBOmedia sold, for example, the marketing rights to Turkish-language niche channels in Germany and a number of fringe activities during the reporting period. In addition, ARBOmedia also slimmed down the Group structure within Germany during the first three quarters of the year. This was to exploit further savings potential while at the same time improving the Group's efficiency levels. Within the context of Goldbach Media's takeover of ARBOmedia, an intensive audit of all of the Group's remaining segments and business activities was instigated. This audit is not yet completed.

Thanks to these activities, ARBOmedia was able to considerably improve its gross and operating results during the first three quarters as against the same period the previous year. In doing so, however, the Group did not succeed in continuing the positive trend of the first two quarters into the third quarter. Indeed, the operative activities suffered under the extraordinarily rapidly worsening market conditions resulting from the worldwide financial and economic crisis, in particular towards the end of the third quarter. What is more, the Group's earnings were negatively influenced by several special factors in the third quarter, which arose as a result of the restructuring and the audit of business activities. These included the value adjustment due to claims for damages amounting to 1.1 million euros in Spain and deferred tax payments of 4.7 million euros. These were balanced for the first time and caused by consolidating entries affecting net income.

Because of these special items, ARBOmedia reports a loss for the third quarter of 4.3 million euros. This means that the Group slipped into the negative figures in the period under review, after a positive half-year result. The loss for the first three quarters thus amounts in total to 3.3 million euros. In the same period the previous year, ARBOmedia had reported a loss of 0.6 million euros.

The result for the period under review was negatively affected by expected start-up losses in the Romanian publishing business. The consolidated sales rose by 13.0 percent up to 57.4 million euros. This was amongst others attributable to the Internet segment, which increased its pre consolidated sales by 91% up to 13.3 million euros during the reporting period. The Publishing segment, which contains the Romanian publishing activities, generated sales of 6.2 million euros.



In the following we report on the business developments in the individual business segments in which ARBOmedia is active.

### 2.1. Classic advertising marketing

The Classic Advertising Marketing segment was by far the biggest earner in the ARBOmedia Group during the first three quarters of 2008. Divided up into the subsegments TV, Print, Radio and Diversification, this segment contributed a total of 39.4 (prior year: 37.8) million euros to the Group's sales, 32 million euros of which were attributable to the TV marketing activities and 4.7 million euros to the Print subsegment. This subsegment contains the marketing activities for advertising space in printed media.

The gross sales in the segment were 4.6 million euros after 4.2 million euros in the first three quarters of 2007. 9.6 million euros of the segment sales were in the third quarter, in which the gross earnings were 1.0 million euros.

ARBOmedia generated its TV marketing revenues during the period under review almost exclusively by selling advertising time for the Czech state TV broadcasters. Despite this very significant figure, ARBOmedia has decided to sell this segment. The reason for this lies in the fact that the future development of this segment is burdened by significant risks, which clearly outweighed the opportunities. The second reason was that ARBOmedia succeeded in gaining an attractive price for the company, which was above its earning capability. This considerably improved the Group's liquidity situation.

Due to business development and the lack of potential for the future it saw for this subsegment, ARBOmedia had already abandoned the direct TV marketing activities in Slovakia, Romania and Turkey during the ongoing business year, and shifted the responsibility for the international TV market activities to the Czech subsidiary ARBOmedia.net Praha. Furthermore, In June 2008, ARBOmedia returned the German exclusive marketing rights to Turkish-language niche television channels to the licensor for marketing. This resulted in income of 0.5 million euros for ARBOmedia.

The regional focus of the Print subsegment lies in Romania. Here, ARBOmedia markets advertising space for around 40 daily newspapers. In all, this segment generated sales of 4.7 million euros during the period under review; much of this during the second quarter, in which the Romanian elections had a positive effect on sales.

The Radio subsegment developed according to plan.



The Diversification subsegment changed enormously during the reporting period. This subsegment encompasses in particular the consulting and media services of the subsidiary ARBOvision GmbH, which directly affect the marketing of TV, print and radio advertising. ARBOmedia set up new subsidiaries in Poland, Romania and the Czech Republic in 2007, in order to be able to profit more from these markets. However, in particular the Romanian and Czech subsidiaries did not develop as envisioned. The start-up costs were higher than planned. In the third quarter, ARBOmedia merged ARBOvision GmbH into ARBOmedia Deutschland GmbH, with retroactive effect to 1 January 2008, with the goal of exploiting potential savings.

ARBOmedia abandoned the direct marketing activities, which were also in this segment, during the review period, selling its shares in ARBODirect GmbH to the previous minority shareholder. It also sold the ARBOevents subsidiary, which was supposed to market events such as rock concerts, trade fairs and exhibitions in Romania. This did not lead to any relevant material financial effects for the Group.

## 2.2. Publishing & supplementary business

In the Publishing and Supplementary Business segment, the ARBOmedia Group bundles its publishing activities in the field of print, excluding the selling of advertising space in the print products published by ARBOmedia, as these are allocated to the Print subsegment of the Classic Advertising Marketing segment. In this context we refer to Section 2.1 of this Interim Report for more details. The sale of goods for resale in the publishing company's own kiosks is also included here as a supplementary business.

ARBOmedia's goal is to extend the company's value chain with the publishing activities and thus to consolidate the marketing position of the ARBOmedia Group over the long term. Accordingly, ARBOmedia is systematically executing its expansion strategy here. During the period under review, ARBOmedia concentrated its activities in this segment on the Romanian market for daily newspapers. In this country ARBOmedia publishes eight daily papers.

After ARBOmedia was launched onto the market at the end of 2006 and had spent the 2007 business year consolidating its position on the Romanian daily newspaper market, the Group pursued in the period under review its growth strategy. This included the launch of a strategic cooperation between ARBOmedia and Media Sud Europa SA in April 2008. In May, these two partners launched a new weekly TV supplement in Romania. This supplement is delivered with the daily papers that ARBOmedia and Media Sud Europa SA publish in Romania, and it has now reached a circulation of around 100,000 copies.

Among its other activities, the management also pushed the establishment of a second printing shop in Romania. In contrast to the plans, the commissioning of this shop has been delayed and is planned to go into operation in the first quarter of 2009.



In the first nine months in this segment, ARBOMedia generated sales of 6.2 million euros. This equates to an increase of 101% as against the same period the previous year. During that time, ARBOMedia had turned over 3.1 million euros in this segment. Gross revenues amount to 2.6 million euros, after 1.6 million euros at the end of September 2007. However, due to the high cost of investments for building up this business, the segment remained in the red.

### 2.3 Internet

The Internet segment includes the marketing of websites and the operation of online platforms. This segment grew very quickly during the entire reporting period and has developed into an important pillar at ARBOMedia. The business focus was on the Polish market, where ARBOMedia shares the market leadership in the field of selling online advertising with one other competitor and runs its own platforms. Furthermore, ARBOMedia also succeeded in expanding the Internet marketing business in Romania and the Czech Republic considerably, as well as generating the first sales in the Russian Internet business that it had launched in the second quarter of 2008.

ARBOMedia also worked on building up the international social community platform goolive during the period under review. The old management had planned to set up national versions step by step in six Eastern European states. This strategy was being looked into at the time of publishing this Interim Report.

In this segment, ARBOMedia generated sales of 13.3 million euros in the first three quarters of 2008, with revenues up 91% as against the comparative figure from the previous year of 6.9 million euros. The Polish market accounted for 10.1 million euros. The gross revenues of the segment as a whole were 2.9 million euros after 1.9 million euros in the first three quarters of 2007.

In the third quarter of 2008, ARBOMedia generated sales of 4.2 million euros and gross revenues of 0.8 million euros in this segment. Both of these figures were below those from the second quarter of 2008. This weakness can be attributed to the traditional slowdown in business in the summer months and to the drop in bookings at the end of Q3 due to the financial crisis. Nonetheless, sales and gross earnings were above the figures for the first quarter of 2008. Between January and March, ARBOMedia's Internet activities had made 3.1 million euros in sales and 0.8 million euros in gross profits, and in the second quarter record sales of 6.0 million euros and gross revenues of 1.3 million euros. In the third quarter ARBOMedia managed to acquire the third-largest social community platform in Poland as a new customer, with more than two million users.



### 3. Change of majority shareholder, executive board, supervisory board and staff

#### 3.1 Change of the majority shareholder

In mid September 2008, the Swiss corporation Goldbach Media AG announced that it had acquired the majority of the shares in ARBOmedia AG through its 100% subsidiary Goldbach Ost GmbH, Munich. At that time, Goldbach Ost owned 72.7% of the shares in ARBOmedia AG. Goldbach announced its intention to make a mandatory offer of 9.80 euros per share to the remaining ARBOmedia shareholders.

Goldbach Media took control over the company for the most part by buying the equity stakes of the two major shareholders, AMCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH, and BOCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH. AMCO held the ARBOmedia stakes of Dr. Harald Albrecht. CEO Dr. Georg Bogner had held his shares in ARBOmedia indirectly through BOCO. The executive board of ARBOmedia AG welcomed the entry of Goldbach Group as the new majority shareholder, in particular in view of the growth and development opportunities this move brings with it for the company and the group.

#### 3.2 Executive board

Coinciding with Goldbach Media Group's entry into the company, CEO Dr. Georg Bogner retired from the executive board of ARBOmedia AG upon mutual agreement as of 16 September 2008. At the same time, he also withdrew from all other positions he held within the company group.

Gregor Battistini had already left the company by mutual agreement on 31 March 2008 when his contract expired, after four years as Chief Financial Officer.

With effect from 1 April 2008, the supervisory board of ARBOmedia AG appointed Olaf Bergner as his successor. Bergner had previously already worked for the company.

#### 3.3 Supervisory board

With the entry of Goldbach Media Group, the three members of the supervisory board Jürgen Weimann, Dr. Conradin Khuen-Luetzow and Dr. Georg Schultze also withdrew from their positions with effect from 16 September 2008. Klaus Kappeler, CEO of Goldbach Media AG, Martin Radelfinger, Chief Business Development M&A Officer of Goldbach Media AG and Ronald Sauser, CEO of Sal. Oppenheim Corporate Finance (Switzerland) were nominated as their replacements on the supervisory board.

#### 3.4 Employees

At the end of Q3 2008, ARBOmedia employed 486 staff, as against 539 on 31 December 2007. The decrease in the payroll is mainly attributable to the restructuring measures mentioned.





#### 4. Current legal disputes

The ARBOmedia Group remained involved in three legal disputes in Spain in the first three quarters of 2008. In these disputes, ARBOmedia demands around 1 million euros from Canal Sur Radio S.A. and around 0.7 million euros from Canal Sur Television S.A. from claims as a commercial representative and claims for damages caused by the termination of the agency agreement. In a third dispute ARBOmedia claims 1.1 million euros from the broadcasting company Television Autonómica de Castilla-la Mancha S.A. on the same grounds.

After none of the three legal proceedings developed in 2007, the court of first instance reached its judgement on 14 March 2008 in the process against Canal Sur Radio S.A. It decided partially in favour of ARBOmedia's claim and ordered Canal Sur Radio S.A. to pay around 323,000 euros. In the opinion of ARBOmedia the calculation of this settlement is flawed, and it has appealed against the amount of the adjudged settlement. Parallel to this, ARBOmedia moved to have the initial judgement enforced provisionally. Canal Sur Radio S.A. also appealed against the judgement.

Because of a change in the risk appraisal, the management decided in the third quarter of 2008 to adjust the value of the claims from these legal disputes booked as assets by 1.1 million euros. However, independent of this balance sheet measure, there is still a good chance that ARBOmedia will be able to assert its claims to the full amount.

#### 5. Move to the General Standard

In mid September 2008, ARBOmedia submitted an application to the Frankfurt Stock Exchange for the revocation of the admission to the segment of the regulated market with further obligations arising from admission (Prime Standard), in order to be able to move to the General Standard segment.

With its decision of 23 September 2008, the Frankfurt Stock Exchange approved the application subject to revocation. This means that the shares in ARBOmedia will be listed in the General Standard as of 24 December 2008.

#### 6. Change of business address

ARBOmedia AG changed its business address on 15 March 2008 from Kaiserstraße 14, 80801 Munich, to Akademiestraße 7, 80799 Munich.



## **B) Report on the net assets, financial and income situation of the ARBOmedia AG Group for the third quarter and first three months of 2008 in accordance with IFRS**

### **1. General**

In continuation of the retrospective adjustment of the comparative values in the 2007 consolidated financial statements ARBOmedia also adjusted the comparative values from the previous year to 30 September 2007. We refer here to our comments in the Notes and to the consolidated accounts for 2007.

### **2. Net asset position**

The net asset position of the ARBOmedia Group is largely dominated by a drop in the balance sheet total of 10.8 million euros down to 28.3 million euros. This change is largely attributable to the deconsolidation of ARBOmedia.net Praha. The assets and liabilities of this company are no longer in the consolidated balance sheet.

On the assets side, current assets fell by 10.4 million euros. On the balance sheet date these amounted to 19.1 million euros after 29.4 million euros on 31 December 2007. The main reason for this low figure is the fall in accounts receivable of 10.5 million euros down to 8.6 million euros. This development must be seen in conjunction with the fall in the accounts payable, as both items largely contain the obligations from bought and sold advertising volumes respectively.

Cash and cash equivalents rose from 6.8 million euros to 7.8 million euros. The main reasons for this increase are – alongside the development in the operative cash flow – the funds flowing into the company from the sale of companies and business activities.

Long-term assets fell by 0.4 million euros. They amounted to 9.2 million euros at 30 September 2008, after 9.6 million euros at 31 December 2007. The tangible assets include 0.6 (prior year: 0) million euros in the form of a prepayment for a new printing machine, which is planned to go into operation in the first quarter of the next business year.

Liabilities fell especially due to the 12.9 million euro drop in accounts payable. In contrast, the accrued liabilities increased by 0.7 million euros to 3.7 million euros on the reporting date, after being at 3.0 million euros on 31 December 2007.

Non-current liabilities amounted to 15.0 million euros. They still include in particular the net assets attributable to the shareholders arising from consolidation of MCTV Entwicklung GmbH & Co. KG as a special purpose entity in the consolidated financial statements at 5.0 million euros after 5.2 million



euros on 31 December 2007. The non-current liabilities also contain the unchanged jouissance capital of 4.0 million euros. Furthermore, they also contain deferred taxes to the tune of 5.2 million euros, which largely stem from consolidation items with an effect on earnings.

The equity capital of the ARBOmedia Group amounts to 0.2 (prior year: 4.0) million euros. This is distributed between the equity of the shareholders of ARBOmedia AG with -1.4 (prior year: +2.4) million euros and minority shareholdings of 1.6 (prior year: 1.6) million euros.

The lower amount of equity is a result of the increase in the balance sheet loss. This amounted to 39.2 (prior year: 35.3) million euros on 30 September 2008. The net loss for the period amounts to 3.3 million euros after a loss of 6.5 million euros for the whole business year 2007.

### 3. Financial position

The financial position was dominated by an increase in cash funds to the tune of 2.6 million euros as against 30 September 2007. These amounted to 6.8 (prior year: 4.2) million euros on the balance sheet date. Cash and cash equivalents rose by 3.0 million euros and the current liabilities due to banks increased by 0.4 million euros.

The change in liquidity is particularly due to cash outflows from current business activities amounting to 2.2 (prior year: 4.5) million euros and cash inflows from investment activity amounting to 3.2 (prior year: 1.9) million euros. The latter encompass largely income from the sale of companies and business activities.

Outflows from financing activities were 0.4 million euros on 30 September 2008 as against inflows of 1.8 million euros the previous year. Shareholder withdrawals and payouts for the acquisition of minority shareholdings during the year under review are included here. In the same period the previous year there were cash inflows from new equity issued by minority interests within the scope of an increase of equity capital.

### 4. Income position

The income position of the Group is characterised by three main special items. These are a consolidated profit of 2.9 million euros and deferred tax expenditure of 4.7 million euros. The third special item was the adjustment of the litigation claims in Spain at 1.1 million euros.

The group sales rose by 6.6 million euros up to 57.4 million euros. The gross profit on sales rose to 9.7 (prior year: 8.5) million euros. Overall, ARBOmedia reported a loss for the period of 3.3 million euros due to the negative special items after a loss of 0.6 million euros in the same period the previous year.

The increased sales revenues bear witness to the first successes arising from the Group's reorientation and the increased focus on the Internet business. In this segment, sales rose from 6.9 million euros to 13.3 million euros



The Classic Advertising Marketing segment was the segment with the greatest share of sales for the last time, because most of this segment was disposed of in the sale of ARBOmedia.net Praha. From the time of this sale, ARBOmedia reported no more sales from this segment. In all, the Group generated an increase in sales in this segment from 37.8 million euros in the first three quarters of 2007 up to 39.3 million euros.

The cost of sales fell to 4.8 million euros after 5.0 million euros in the same period the previous year. The general administrative costs rose by 1.6 million euros to 5.4 million euros.

Other operating income rose to 6.3 million euros after 2.6 million euros for January to September 2007. This increase is due to the deconsolidated profits of 2.9 million euros reported in the third quarter of 2008.

Taxes on income and earnings in the reporting period amounted to -5.3 (prior year: -0.6) million euros and include largely deferred tax expenditure to the amount of 4.7 million euros. These were included in the Group's consolidated report for the first time in the third quarter of 2008.

In the first three quarters of the 2008 business year, ARBOmedia generated an operating result of 2.4 million euros. In the same period the previous year this figure was 0.1 million euros.



## C) Events after the balance sheet date

### 1. Takeover offer - Goldbach Media increases its stake to 96.7%

As announced when acquiring the majority stake in ARBOmedia, Goldbach Media AG announced through its subsidiary Goldbach Ost GmbH, Munich that it was making the free float shareholders of ARBOmedia AG a compulsory purchase offer. This was published on 23 October 2008. Goldbach Media offered the shareholders a cash payment of 9.80 euros per share in ARBOmedia AG. This price was around 47% above the volume-weighted average price for ARBOmedia stock over the last three months before Goldbach Media took control of ARBOmedia. At the time of publishing this compulsory offer, Goldbach Media held 84.19% of the equity and voting rights of ARBOmedia AG.

The executive and supervisory boards of ARBOmedia AG made a joint announcement about the takeover offer on 3 November, and an amendment on 11 November. In it they stated that they considered the offered purchase price to be appropriate because it fulfilled the statutory minimum price requirements set forth in the offer regulations of Section 4 of the German Securities Acquisition and Takeover Act (WpÜG).

The deadline for accepting the takeover offer was midnight on 21 November 2008. On 26 November, Goldbach Ost announced that the compulsory offer had been accepted for 296,393 shares in ARBOmedia AG. This amounts to 7.57% of the equity and voting rights of ARBOmedia AG. In all, Goldbach Media's stake in ARBOmedia AG was 96.07% by valuta date 27 November.

This shareholding gives Goldbach Media the right to buy out the remaining shareholders, as provided for in Section 39a Subsections 1 and 2 WpÜG. In accordance with Section 39c WpÜG the shareholders of ARBOmedia AG who did not accept the compulsory offer therefore have the right to accept the offer before 27 February 2009.

### 2. New supervisory board elected

With its resolution of 1 October 2008, the Munich Local Court appointed Nikolaus Kappeler, Martin Radelfinger and Ronald Sauser as new members of the supervisory board of ARBOmedia AG.

### 3. Changes in the executive board

On 2 October the supervisory board of ARBOmedia AG appointed Thomas Landolt and Marcin Wozniak as members of the company's executive board, with immediate effect. Landolt was appointed as CEO. Landolt is also responsible for developing the business activities of Goldbach Media in Eastern Europe.



Marcin Wozniak, previously responsible for the Internet activities of ARBOmedia AG in Eastern Europe, also assumed responsibility in the executive board for the Sales and Marketing unit.

Before Thomas Landolt and Marcin Wozniak were appointed, the executive board members Alexander Sigl and Olaf Bergner had announced to the supervisory board that they would be withdrawing from their positions.

#### 4. Shareholders' meeting

On 25 November, ARBOmedia AG held its shareholders' meeting for this year. On this occasion the new CEO Thomas Landolt explained the new corporate strategy to the attending shareholders. The strategy provides for an increased focus of ARBOmedia on the marketing of online advertising in the east and south-east European states.

No further events of special importance have occurred since the end of the reporting period.

## D) Forecast

The general economic development in Europe has become much worse in recent months. All the major Western economies are now in a recession. Even the most important markets for ARBOmedia, which had previously been stable: the Czech Republic, Romania and Poland, are now also suffering from the effects of the international financial and economic crisis. Against this general economic background and in view of the fact that the restructuring measures have led to considerable special items, the management no longer assumes that the forecasts and other statements on the future of the ARBOmedia AG Group made in the 2007 financial statements still apply. The management is now convinced that ARBOmedia will report a considerable annual loss this year due to the special items and a further decrease of operative business activities.

ARBOmedia also expects a difficult market situation in the coming business year, probably driven by major reductions in company advertising budgets.

These budget cuts also affect the Internet segment. In general, however, the management still sees great growth potential in this segment over the medium term. ARBOmedia will therefore concentrate on online marketing in the east and south-east European countries in the future.

With the sale of ARBOmedia net Praha, the Group has separated itself from one of its core fields of business – the Classic Advertising Marketing segment. This will mean that a major earnings contributor for the Group will be missing in the future. This sale is part of the reorientation of the ARBOmedia Group towards the Internet, in which the management sees the greatest growth opportunities for the future.



All the existing units in the ARBOmedia Group are currently being subjected to a complete audit. This may lead to the sale of further business units, in order to make it possible for the company to focus on its strategy for the future.

In general, the management remains of the opinion that the measures already executed and initiated within the framework of the restructuring represent the basis for improved earnings in the ARBOmedia Group in the medium term.

## E) Opportunities and risk report

The management's assessment of the opportunities and risks for the ARBOmedia Group has not changed fundamentally as against the report for the 2007 business year.

After separating itself from the core business of Classic Advertising Marketing, the Group is now concentrating on the remaining business fields, in particular the Internet segment. As ARBOmedia already works successfully in this field, the management assumes that the further planned growth can also be achieved. Nonetheless, there is the risk that the objectives set may not be realised. Because of the strong focus on individual fields, there will no longer be the opportunity in the future to compensate for successes and failures in individual segments to the same extent as in the past. After the separation from the core business of Classic Advertising Marketing, the Group's performance will only be derived from the remaining business areas.

Munich, 22. December 2008

ARBOmedia AG



**Thomas Landolt**  
Chief Executive Officer



**Marcin Wozniak**  
Member of the Board  
Marketing & Sales



# Consolidated Balance Sheet of 30 September 2008 in accordance with the International Financial Reporting Standards

ARBOmedia AG, Munich

## ASSETS

in ThEuros	30.09.2008	31.12.2007
<b>A. CURRENT ASSETS</b>		
I. Cash and cash equivalents	7,839	6,787
II. Accounts receivable and other financial assets		
1. Accounts receivable (trade debtors)	8,577	19,128
2. Other financial assets	2,294	3,001
3. Income tax receivables	153	338
III. Inventories	193	194
	<b>19,056</b>	<b>29,448</b>
<b>B. NON-CURRENT ASSETS</b>		
I. Tangible assets		
1. Land and buildings	1,607	1,649
2. Plant and machinery	258	274
3. Fittings and equipment	783	955
4. Advanced payments	642	0
II. Intangible assets		
1. Licenses, software and other rights	2,990	3,178
2. Goodwill	2,533	3,200
III. Financial assets		
Participations and other loans	391	334
IV. Deferred taxes	1	4
	<b>9,205</b>	<b>9,594</b>
<b>TOTAL ASSETS</b>	<b>28,261</b>	<b>39,042</b>

We refer to Section 4 of the Notes on the Consolidated Accounts for a detailed explanation of the various balance sheet items.



## LIABILITIES

in ThEuros	30.09.2008	31.12.2007
<b>A. CURRENT LIABILITIES</b>		
I. Due to banks	1,045	780
II. Accounts payable	6,532	19,465
III. Other financial liabilities	1,378	1,287
IV. Income tax liabilities	463	287
V. Deferred liabilities	3,691	3,030
	<b>13,109</b>	<b>24,849</b>
<b>B. NON-CURRENT LIABILITIES</b>		
I. Net assets allocable to the shareholders	4,955	5,166
II. Jouissance capital	4,000	4,000
III. Other financial liabilities	432	233
IV. Other accrued liabilities	410	300
V. Deferred taxes	5,161	495
	<b>14,958</b>	<b>10,194</b>
<b>C. EQUITY</b>		
I. Capital stock	3,916	3,916
II. Capital reserves	33,912	33,889
III. Accumulated deficit	-39,185	-35,348
IV. Adjustment item for foreign currency conversion	-57	-85
<b>Shareholder equity of ARBOmedia AG</b>	<b>-1,414</b>	<b>2,372</b>
V. Minority shares	1,608	1,627
	<b>194</b>	<b>3,999</b>
<b>TOTAL LIABILITIES</b>	<b>28,261</b>	<b>39,042</b>

We refer to Section 4 of the Notes on the Consolidated Accounts for a detailed explanation of the various balance sheet items.

## Consolidated Income Statement for January to September 2008 in accordance with the International Financial Reporting Standards

ARBOmedia AG, Munich

in ThEuros	01.01. to 30.09.2008	01.01. to 30.09.2007 adjusted	01.07. to 30.09.2008	01.07. to 30.09.2007 adjusted
1. Sales revenues	57,418	50,803	15,216	15,951
2. Cost of sales	-47,738	-42,297	-12,866	-12,994
<b>3. Gross profit on sales</b>	<b>9,680</b>	<b>8,506</b>	<b>2,350</b>	<b>2,957</b>
4. Selling expenses	-4,819	-4,971	-1,564	-1,613
5. General administrative expenses	-5,369	-3,795	-1,711	-1,447
6. Goodwill amortisation	-29	0	0	0
7. Other operating income	6,333	2,612	3,650	1,135
8. Other operating expenses	-3,405	-2,244	-2,002	-739
<b>9. Operative result</b>	<b>2,391</b>	<b>108</b>	<b>723</b>	<b>293</b>
10. Interest and similar income	94	124	24	29
11. Interest and similar expenses	-492	-234	-287	-29
<b>12. Financial result</b>	<b>-398</b>	<b>-110</b>	<b>-263</b>	<b>0</b>
13. Taxes on income	-5,305	-617	-4,785	-160
<b>14. Net income (+)/ Net loss (-) for the period</b>	<b>-3,312</b>	<b>-619</b>	<b>-4,325</b>	<b>133</b>
of which allocable to the shareholders of the parent company	-3,837	403	-4,535	55
of which allocable to the minority shareholders	15	-169	-41	-51
of which changes in the net asset value allocable to the shareholders	510	-853	251	129
Earnings per share*	-0.98 €	0.10 €	-1.16 €	0.01 €

(\*) The diluted earnings per share is the same as the undiluted value in both years, as there were no transactions with diluting effect.

We refer to Section 4 of the Notes on the Consolidated Accounts for a detailed explanation of the various balance sheet items.

## Consolidated Statement of Changes in the Shareholders' Equity for January to September 2008 in accordance with the International Financial Reporting Standards

ARBOmedia AG, Munich

in ThEuros	Subscribed capital	Capital reserves	Net loss for the year	Adjustment for foreign currency conversion	Shares of the ARBOmedia shareholders	Minority shares of equity	Total equity
<b>At 01 January 2007</b>	<b>3,916</b>	<b>34,529</b>	<b>-30,343</b>	<b>-30</b>	<b>8,072</b>	<b>1,983</b>	<b>10,055</b>
Consolidated loss for the year	0	0	-5,005	0	-5,005	0	-5,005
Currency differences	0	0	0	-55	-55	0	-55
Share options	0	2	0	0	2	0	2
Shares acquired by minority shareholders	0	-642	0	0	-642	-531	-1,173
Increases in capital by minority shareholders	0	0	0	0	0	382	382
Dividends to minority shareholders	0	0	0	0	0	-10	-10
Minority interests	0	0	0	0	0	-197	-197
<b>At 31 December 2007</b>	<b>3,916</b>	<b>33,889</b>	<b>-35,348</b>	<b>-85</b>	<b>2,372</b>	<b>1,627</b>	<b>3,999</b>
Consolidated loss for the year	0	0	-3,837	0	-3,837	0	-3,837
Currency differences	0	0	0	28	28	0	28
Share options	0	30	0	0	30	0	30
Shares acquired by minority shareholders	0	-7	0	0	-7	0	-7
Increases in capital by minority shareholders	0	0	0	0	0	-20	-20
Dividends to minority shareholders	0	0	0	0	0	-14	-14
Minority interests	0	0	0	0	0	15	15
<b>At 30 September 2008</b>	<b>3,916</b>	<b>33,912</b>	<b>-39,185</b>	<b>-57</b>	<b>-1,414</b>	<b>1,608</b>	<b>194</b>

## Consolidated Funds Statement for January to September 2008 in accordance with the International Financial Reporting Standards

ARBOmedia AG, Munich

in ThEuros	01.01. to 30.09.2008	01.01. to 30.09.2007 adjusted
<b>Income for the period before interest and tax payments</b>	<b>-2,373</b>	<b>-46</b>
Income taxes paid	-924	-463
Income taxes received	213	0
Interest paid	-296	-234
Interest received	68	124
Depreciation and amortisation of fixed assets, intangible assets and financial assets	594	470
Changes in the net asset allocable to the shareholders	-323	-5
Issue of share options	30	0
Consolidated result	-2,882	0
Other changes in non-cash items	40	0
Change in accounts receivable	2,154	2,468
Change in other financial assets and other assets	-251	-697
Change in accounts payable	-4,413	-4,090
Change in accrued liabilities	-106	441
Change in other financial liabilities and other liabilities	6,243	-2,452
<b>Cash inflow (+)/ outflow (-) from operating activities</b>	<b>-2,226</b>	<b>-4,484</b>
Investments in fixed assets, intangible assets and financial assets	-1,236	-2,065
Incoming payments from the sale of company shares	4,751	0
Reduction in net liquidity from the sale of company shares	-273	0
Disposals from the assets	0	149
<b>Cash inflow (+)/ outflow (-) from investments</b>	<b>3,242</b>	<b>-1,916</b>
Change in the non-current accounts payable	0	533
Dividends to minority shareholders	-14	0
Inpayments from capital increases	0	1,300
Shareholder withdrawals	-397	0
Payments for the purchase of minority shareholdings	-7	0
<b>Cash outflow (-) / inflow (+) from funding</b>	<b>-418</b>	<b>1,833</b>
<b>Changes in funds for financing purposes affecting payment</b>	<b>598</b>	<b>-4,567</b>
Changes in the funds for financing purposes due to exchange rates	189	-24
Funds for financing purposes adjusted at the beginning of the period	6,007	8,786
<b>Funds for financing purposes at the end of the period</b>	<b>6,794</b>	<b>4,195</b>

in ThEuros	01.01. to 30.09.2008	01.01. to 30.09.2007 adjusted
<b>Composition of the funds for financing purposes</b>		
Cash and cash equivalents	7,839	4,811
Non-current liabilities to banks	-1,045	-616
<b>Funds for financing purposes at the end of the period</b>	<b>6,794</b>	<b>4,195</b>



# Notes on the Consolidated Financial Statements of 30 September 2008

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ARBOmedia AG, Munich

## 1. Accounting principles

The Consolidated Financial Statements as of 30 September 2008 and the comparative figures from the previous year are presented in accordance with the International Accounting Standards (IAS) published by the International Accounting Standards Board, the International Financial Reporting Standards (IFRS) and their interpretation by the Standard Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as these are to be applied in the EU. The standards and interpretations that had to be applied for the first time in the first quarter of 2008 had no material effects on the assets, financial or earnings situation.

ARBOmedia AG and the subsidiaries included in the Consolidated Financial Statements apply the same balance sheet, valuation and consolidation methods in the interim report as were used in the Consolidated Financial Statements for the 2007 business year. For a detailed description of these principles we refer the reader to the 2007 Consolidated Financial Statements.

## 2. Adjustment of values from the previous year

As described in the Notes on the Consolidated Financial Statements of the 2007 business year, the comparative values for the 2006 reporting period were corrected. In this context we take reference to our comments in the 2007 Consolidated Financial Statements. The previous year values in this interim report have also been adjusted in this way. The adjustments include in particular the subsequent consolidation of MCTV Entwicklung GmbH & Co KG, which is to be included in the Consolidated Financial Statements by way of the special purpose vehicle regulations, and the continuation of the figures from the company mergers with the Romanian publishing companies adjusted in accordance with IFRS 3.61.

## 3. Consolidated companies

Alongside ARBOmedia AG itself as the parent company, the Consolidated Financial Statements again encompass the same subsidiaries as were included in the 2007 annual financial report.

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In the period under review, the shares held in ARBODirect GmbH, ARBOevent S.R.L and ARBOMedia.net Praha, spol. s r.o. were disposed of.

286 ThEuros in cash and cash equivalents, 8,230 ThEuros of accounts receivable, 1,321 ThEuros of other assets, 174 ThEuros of non-current assets, 13 ThEuros due to banks, 8,516 ThEuros of trade payables and 1,319 ThEuros of other liabilities were not accounted for in the final consolidation.

The disposals generated income for the group of 4,751 ThEuros. In all, a consolidated profit of 2,882 ThEuros results, which is largely attributable to the sale of the shares in ARBOMedia.net Praha, spol. s r.o..

#### **4. Explanations of the Consolidated Financial Statements for January to September 2008**

For an explanation on the sales revenues and sales costs we refer to the Segment Reporting section of these Notes.

##### **Selling expenses**

The selling expenses amounted to 4,819 (prior year: 4,971) ThEuros and comprised mainly salaries for sales staff, travel costs and costs in connection with advertising and marketing activities.

##### **General and administrative expenses**

General and administrative expenses comprised mainly salaries for administrative staff and personnel costs and the support of the Finance, EDP, HR and other management departments, as well as for journalists and graphic artists in the Romanian newspaper publishing companies. The general administrative costs in the period from January to September 2008 amount to 5,369 ThEuros and were thus 41.5% above the level of the same period the previous year of 3,795 ThEuros.

##### **Other operating income**

The other operating income amounted to 6,333 ThEuros after 2,612 ThEuros in same period the previous year. The increase is largely due to the consolidated profit resulting from the sale of ARBODirect GmbH, ARBOevent S.R.L and ARBOMedia.net Praha, spol. s r.o., which amounted to 2,882 ThEuros.



### Other operating expenses

The other operating expenses amounted to 3,405 (prior year: 2,244) ThEuros. In the reporting period they contain in particular the adjustments of the capitalised commercial agent claims in Spain to the amount of 1,080 ThEuros.

### Financial result

The financial result was -398 (prior year: -110) ThEuros and includes interest earnings of 94 (prior year: 124) ThEuros and -492 (prior year: -234) ThEuros of interest payments. The interest payments comprised especially the interest obligations from the capital issued for jouissance rights.

### Taxes on income

The taxes on income in the first three quarters amounted to -5,305 (prior year: -617) ThEuros. They contain 4,665 ThEuros in deferred tax expenditure, which largely result from consolidation entries affecting net income.

### Non-current assets

The non-current assets amounted to 9,205 (prior year: 9.594) ThEuros. They comprised mainly 3,290 (prior year: 2,878) ThEuros of tangible assets, 5,523 (prior year: 6,378) ThEuros of intangible assets and 391 (prior year: 334) ThEuros of financial assets.

The increase in the tangible assets is mainly attributable to the capitalised advanced payments to suppliers to the amount of 642 (prior year: 0) ThEuros. These were payments for a new printing machine, which is not yet in operation.

### Current assets

The current assets amounted to 19,056 (prior year: 29,448) ThEuros and included in particular accounts receivable to the amount of 8,577 (prior year: 19,128) ThEuros, cash and cash equivalents to the amount of 7,839 (prior year: 6,787) ThEuros and other financial assets of 2,294 (prior year: 3,001) ThEuros.

The cash and cash equivalents refer to current accounts, short running term deposits, a money-market fund and cash in hand.

The accounts receivable are unpaid items from the sale of advertising time and newspapers.





### Current liabilities

The current liabilities amounted to 13,109 (prior year: 24,849) ThEuros and included trade payables of 6,532 (prior year: 19,465) ThEuros, accrued liabilities to the amount of 3,691 (prior year: 3,030) ThEuros and other financial liabilities of 1,378 (prior year: 1,287) ThEuros.

The accounts payable refer to payment obligations for advertising packages bought during the period under review.

The other accruals included mainly invoices not yet received to the amount of 419 (prior year: 2,128) ThEuros, accounting, auditing and consulting costs of 291 (prior year: 488) ThEuros and for personnel amounting to 61 (prior year: 183) ThEuros.

The other liabilities comprised outstanding wages and salaries including social security contributions of 322 (prior year: 441) ThEuros, deferred income of 276 (prior year: 275) ThEuros and interest payable to the amount of 250 (prior year: 209) ThEuros.

### Non-current liabilities

The non-current liabilities amounted to 14,958 (prior year: 10,194) ThEuros and comprised mainly the shareholders ascribing net asset of 4,955 (prior year: 5,166) ThEuros and the jouissance right capital of 4,000 (prior year: 4,000) ThEuros. From January to September 2008 these items did not change significantly as against their comparative figures the previous year. We therefore refer to our comments in the Notes on the Consolidated Financial Statements to 31 December 2007. Furthermore, deferred tax liabilities to the amount of 5,161 ThEuros are contained herein for the first time. In this context we refer to our explanations on taxes on interest and earnings.

### Equity

For the development of the equity capital we refer to the Group's own equity change account. On 30 September 2008, ARBOmedia held none of its own shares, as in the previous year.

The equity capital amounts to 194 (prior year: 3,999) ThEuros and divides up between the shareholders of ARBOmedia AG with -1,414 (prior year: 2,372) ThEuros and minority shareholders with 1,608 (prior year: 1,627) ThEuros.

The subscribed capital of ARBOmedia on the balance sheet date was unchanged against the previous year at 3.916 ThEuros and comprised 3,915,851 non-par-value shares.



## 5. Segment reporting

In accordance with the internal organisational structure, the Group is managed on the basis of the three business sectors Classic Advertising Marketing, Internet and Publishing. The segments are further subdivided by means of the regional allocation of business activities into Western and Eastern Europe.

The segments are as follows:

### Segment report 01.01. - 30.09.2008

in ThEuros	Classic Advertising Marketing	Publishing & Supplementary	Internet	Miscellaneous	Consolidation	Group
<b>SALES</b>						
ARBOmedia AG (Holding)	0	0	0	1,023		1,023
Western Europe	2,140	0	0	524		2,664
Eastern Europe	37,221	6,227	13,288	0		56,736
<b>Total</b>	<b>39,361</b>	<b>6,227</b>	<b>13,288</b>	<b>1,547</b>	<b>-3,005</b>	<b>57,418</b>
<b>COST OF SALES</b>						
ARBOmedia AG (Holding)	0	0	0	0		0
Western Europe	-1,639	0	0	0		-1,639
Eastern Europe	-33,096	-3,676	-10,384	0		-47,156
<b>Total</b>	<b>-34,735</b>	<b>-3,676</b>	<b>-10,384</b>	<b>0</b>	<b>1,057</b>	<b>-47,738</b>
<b>GROSS PROFIT</b>						
ARBOmedia AG (Holding)	0	0	0	1,023		1,023
Western Europe	501	0	0	524		1,025
Eastern Europe	4,125	2,551	2,904	0		9,580
<b>Total</b>	<b>4,626</b>	<b>2,551</b>	<b>2,904</b>	<b>1,547</b>	<b>-1,948</b>	<b>9,680</b>

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Segment report 01.07. - 30.09.2008

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in ThEuros	Classic Advertising Marketing	Publishing & Supplementary	Internet	Miscellaneous	Consolidation	Group
<b>SALES</b>						
ARBOmedia AG (Holding)	0	0	0	275		275
Western Europe	132	0	0	256		388
Eastern Europe	9,434	1,994	4,187	0		15,615
<b>Total</b>	<b>9,566</b>	<b>1,994</b>	<b>4,187</b>	<b>531</b>	<b>-1,062</b>	<b>15,216</b>
<b>COST OF SALES</b>						
ARBOmedia AG (Holding)	0	0	0	0		0
Western Europe	-135	0	0	0		-135
Eastern Europe	-8,446	-1,338	-3,357	0		-13,141
<b>Total</b>	<b>-8,581</b>	<b>-1,338</b>	<b>-3,357</b>	<b>0</b>	<b>410</b>	<b>-12,866</b>
<b>GROSS PROFIT</b>						
ARBOmedia AG (Holding)	0	0	0	275		275
Western Europe	-3	0	0	256		253
Eastern Europe	988	656	830	0		2,474
<b>Total</b>	<b>985</b>	<b>656</b>	<b>830</b>	<b>531</b>	<b>-652</b>	<b>2,350</b>

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## Segment report 01.01. - 30.09.2007 adjusted

in ThEuros	Classic Advertising Marketing	Publishing & Supplementary	Internet	Miscellaneous	Consolidation	Group
<b>SALES</b>						
ARBOmedia AG (Holding)	0	0	0	2,191		2,191
Western Europe	1,972	0	0	1,797		3,769
Eastern Europe	35,872	3,094	6,941	1,930		47,837
<b>Total</b>	<b>37,844</b>	<b>3,094</b>	<b>6,941</b>	<b>5,918</b>	<b>-2,994</b>	<b>50,803</b>
<b>COST OF SALES</b>						
ARBOmedia AG (Holding)	0	0	0	-365		-365
Western Europe	-1,392	0	0	-1,267		-2,659
Eastern Europe	-32,216	-1,510	-5,064	-1,340		-40,130
<b>Total</b>	<b>-33,608</b>	<b>-1,510</b>	<b>-5,064</b>	<b>-2,972</b>	<b>857</b>	<b>-42,297</b>
<b>GROSS PROFIT</b>						
ARBOmedia AG (Holding)	0	0	0	1,826		1,826
Western Europe	580	0	0	530		1,110
Eastern Europe	3,656	1,584	1,877	590		7,707
<b>Total</b>	<b>4,236</b>	<b>1,584</b>	<b>1,877</b>	<b>2,946</b>	<b>-2,137</b>	<b>8,506</b>

## 6. Business relationships to related parties

Related parties in the sense of IAS 24 are essentially the management and the shareholders of the ARBOmedia Group who have a controlling or material influence.

### Executive Board

The total remuneration of the members of the executive Board amounted to 324 (prior year: 105) ThEuros during the period under review. We shall not publish the individual emoluments of the members of the Executive Board, in compliance with the resolution passed at the shareholders' meeting of 20 July 2006 to be valid for the next five years, which releases us from the obligation to do so.

### Supervisory Boards

No remuneration was paid to Supervisory Boards in the reporting period under review.

### Shareholders

Dr. Bogner is to be considered a related party until such time as he withdraws from the position as CEO. His holding company BOCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH is also to be considered a related party until the sale of its shares. Dr. Bogner holds all of the shares in this company.

On the balance sheet date the balance of the intercompany clearing account with BOCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH, München was unchanged against the previous year at 2 ThEuros.

In addition, Dr. Albrecht and his holding company AMCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH, are related parties. Dr. Albrecht holds all of the shares in this company.

Fees for consulting services to the amount of 41 (prior year: 52) ThEuros were paid to AMCO Gesellschaft für die Herstellung und Vermarktung von Medienprodukten und für Medienbeteiligungen mbH, at ordinary market conditions.



### Media Invest GmbH

The loan issued by ARBOmedia AG to Radio BGU, in which Media Invest holds a 49% share, amounted to 47 (prior year: 44) ThEuros on the reporting date, including accrued interest. The interest rate is 2 percentage points above the base rate. The interests amount to 25 (prior year: 22) ThEuros on the reporting date.

As in the previous year, Media Invest GmbH was paid a fee of 30 ThEuros at ordinary market conditions for services for ARBOmedia subsidiaries.

## 7. Material events after the balance sheet date

With the exception of the events named in the interim financial statements, there were no material events after the balance sheet date.

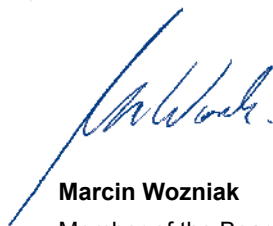
Munich, 22. December 2008

ARBOmedia AG

The Executive Board



**Thomas Landolt**  
Chief Executive Officer



**Marcin Wozniak**  
Member of the Board  
Marketing & Sales



# Imprint

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