WE ARE READY

ComBOTS AG ANNUAL REPORT 2005

THE INTERNET AND DIGITAL COMMUNICATION ARE EXPERIENCING A HISTORY OF RAPID DEVELOPMENT

WE HELPED TO WRITE IT

ARE YOU READY FOR THE NEXT CHAPTER?

WE ARE READY

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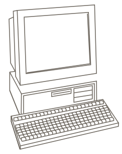
*1971

THE FIRST E-MAIL

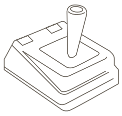
The American computer technician Ray Tomlinson invents the first e-mail. First tests in late 1971 with the programs SNDMSG and READMAIL developed by him. In Germany the first Internet e-mails are received and sent in Karlsruhe in 1984.



*1981

THE FIRST PC

In 1981 IBM popularises the term “PC” with its personal computer. The IBM 5150 was built almost unchanged for six years and constituted the foundation stone for a new standard by which the competition was to be measured in future: IBM compatibility.



*1972

THE FIRST VIDEO-GAME

Atari publishes the world’s first successful video game with “Pong”. The legendary game classic is similar to table tennis: two vertical lines symbolise the bats, which two opponents use by means of a control knob to move a dot (the ball) across the playing field.

*1983

THE FIRST CELL PHONE

The world’s first cell phone, the Motorola DynaTac 8000x weighs 800g and costs almost USD 4,000. Although there are hardly any mobile networks, it sells by the hundred thousand.

*1969

THE WEB IS BORN

ARPANET becomes the forerunner of the Internet. The University of California is the first host.

*1983

THE FIRST LAPTOP

The Tandy TRS-80, model 100 is the world’s first laptop and the software is supplied by Bill Gates personally. It weighs six pounds.

1969 → 1980

1980 → 1990

1980 → 1990

*1995

WITH WEB.DE GERMANY’S BIGGEST INTERNET PORTAL GETS STARTED

Founded originally as an Internet directory, in a short period of time WEB.DE becomes the leading communications platform on the German Internet through the use of innovative services.

*1999

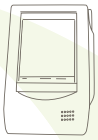
THE FIRST FREEMAIL TEXT MESSAGE IN THE GERMAN NETWORK

WEB.DE develops a special interface which makes it possible to send text messages via the Internet for the first time. The development unleashes a text message boom in Germany, with capacities of up to 5 million messages a day.

*2000

WEB.DE WENT PUBLIC

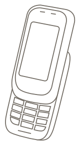
WEB.DE enters the capital market and develops close links between shareholders and customers. This results in over 14,000 users to become shareholders in the company in the so-called Friends & Family Programme.



*1993

THE ADVENT OF THE MOBILE OFFICE

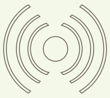
Apple launches its Newton, the ancestor of all PDAs. Handwriting recognition, integrated office applications and WLAN – in the years that follow the mobile office becomes reality.



*2000

UMTS AUCTION

In a hyped-up tender, the like of which has never been seen before in Germany, six telecommunications providers bid over 49 billion euros for the licences of mobile broadband services. In 2004, the first UMTS cell phones come onto the market and significant use begins.



*1997

WLAN GETS STARTED

WLAN links cell phones, laptops, PDAs and PCs. High data transmission rates and fast networks make communication completely mobile. This is an enormous challenge for the user – but also for network security.

*1993

THE START OF THE WWW

The world wide web is opened up for the public. It is based on the 1990 prototype by Tim Berners-Lee and integrates his developments HTML, URL and HTTP.

2000 → NETWORKS
2000 → MOBILITY
1995 → 2000 → 2006 → FUTURE

ComBOTS IS REVOLUTIONISING WEB-BASED COMMUNICATIONS

*2002

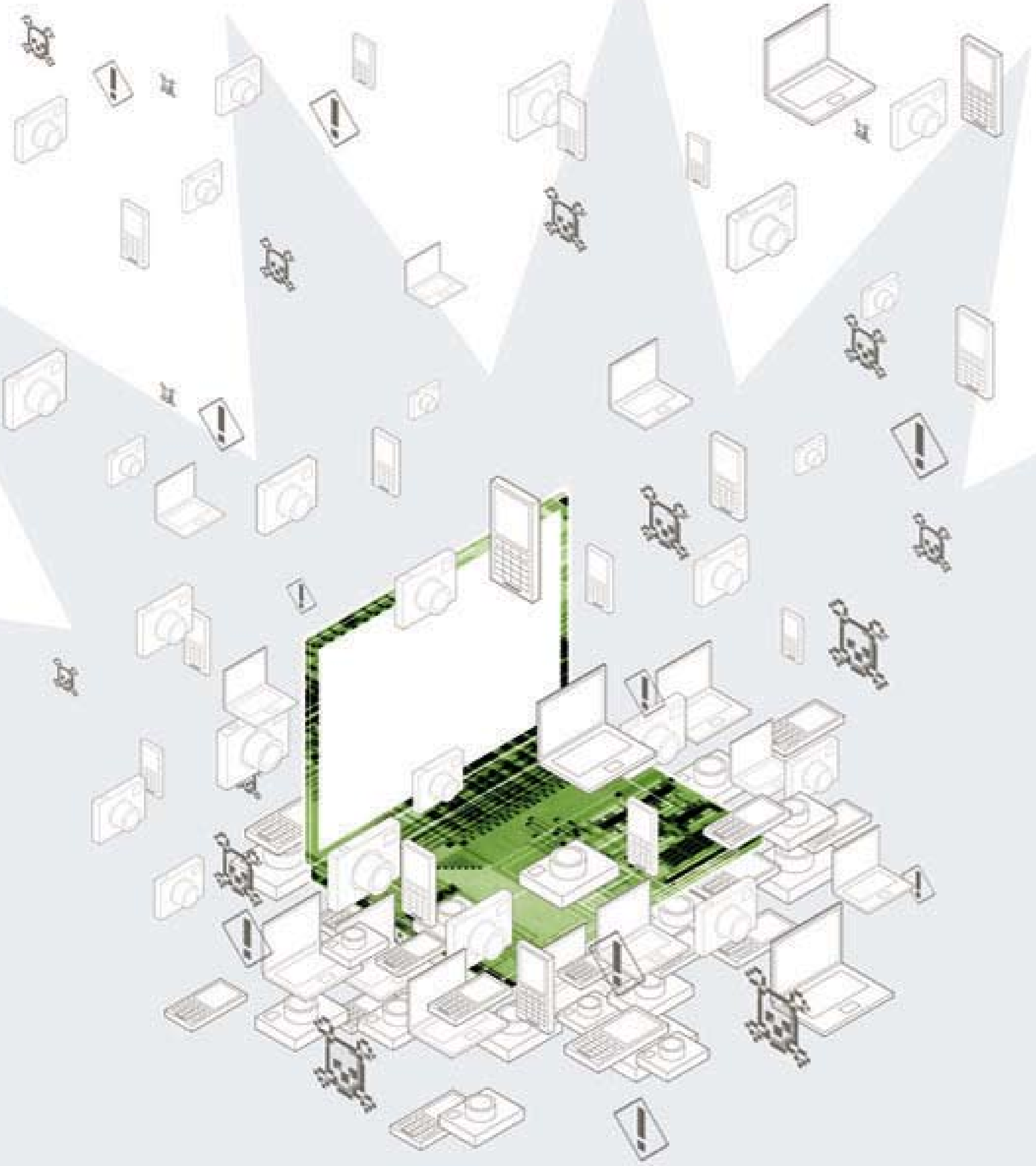
THE FIRST PATENT APPLICATION FOR PERSONAL DIGITAL COMMUNICATION

The company protects its intellectual property in Germany and internationally and in 2002 applies for the first patent in the field of Personal Digital Communication. In 2006, the company owns more than 94 patents and patent applications. The first web-telecommunications product is also launched in 2002.

*2005

FOCUS ON DIGITAL COMMUNICATION

The company decides to contribute its national Internet business to the United Internet Group and in doing so creates the largest provider for Internet- and portal services in Germany. From now on it focuses completely on developing ComBOTS®.



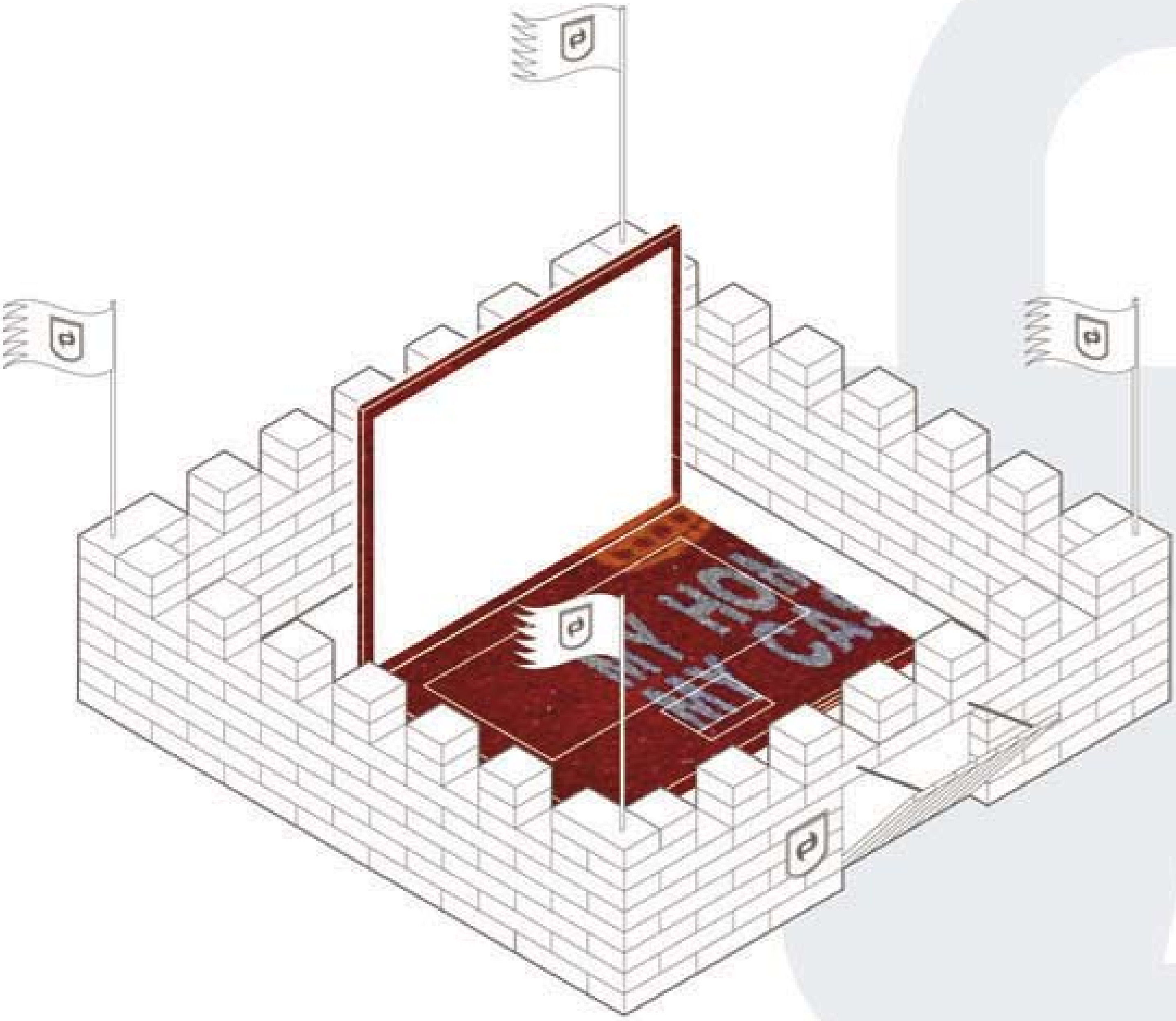
THE DIGITAL WORLD IS BECOMING INCREASINGLY COMPLEX__

Cell phones, e-mails, digital cameras, camcorders, mp3 players, webcams – the digital revolution has begun and there is no end in sight. At the same time, our communications are becoming increasingly complex and more difficult to keep under control. Today the new variety of applications has countless different forms of communication which have to be mastered – and they are increasing in number every day. In the brave new world of digital communications we are running the growing risk of losing simplicity, control and track of it all owing to the large number of applications and opportunities.__

AS EASY AS A MOUSE CLICK

With ComBOTS® online communications is venturing into a new dimension: multimedia communications using simple drag & drop. Reach friends, colleagues and families with just a click and stay in contact. And it’s all totally uncomplicated and loads of fun at the same time. With ComBOTS® people can communicate better – all around the world.

WE ARE READY



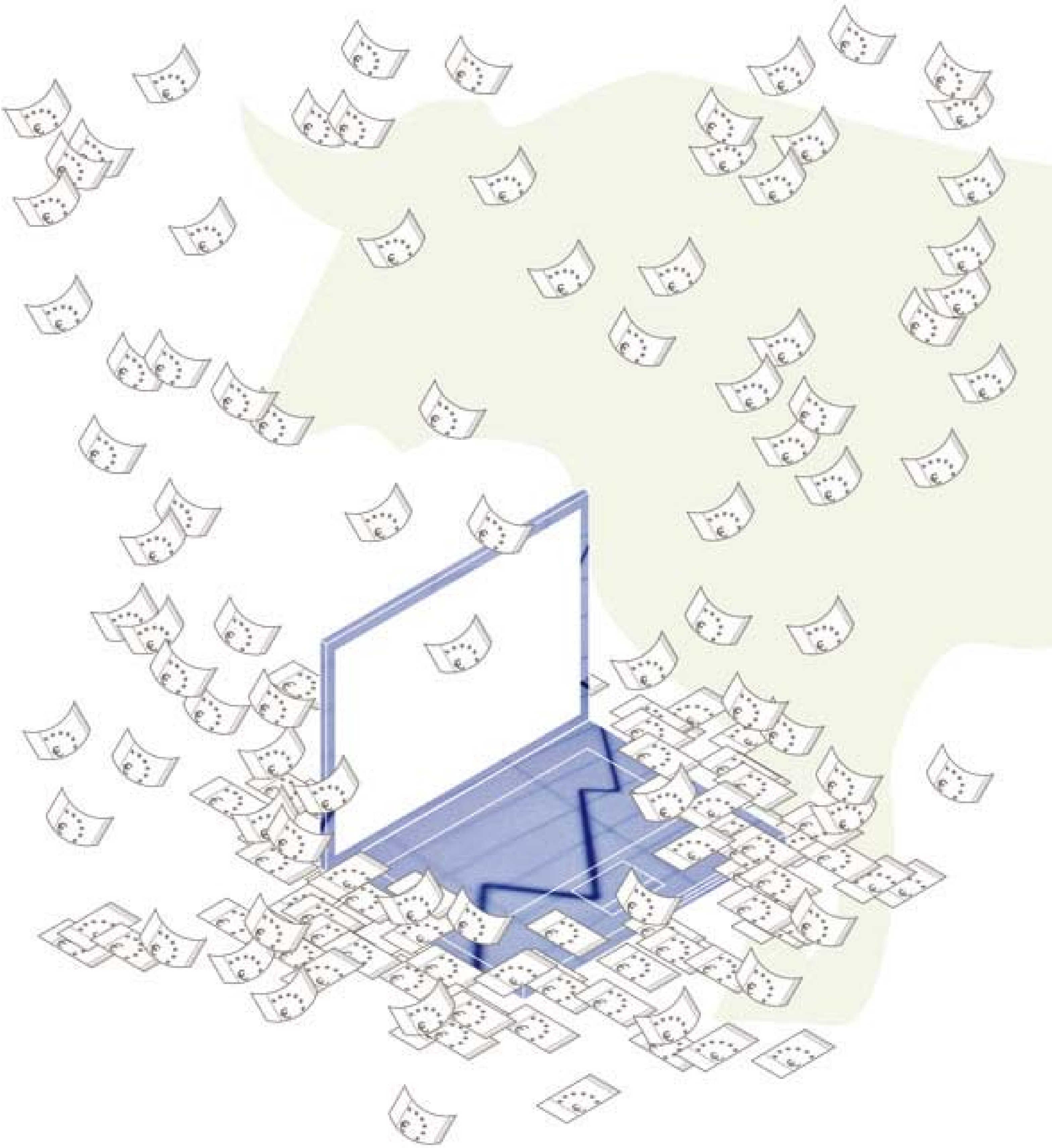
SPAM, VIRUSES, TROJANS & CO.

The Internet is the communications platform of the future. More and more communication – mobile and stationary – is taking place online. As a mass medium the Internet has become both less secure and increasingly subject to disruptions. Spam, viruses and Trojans “pollute” the world of online communications to an enormous extent. Confidentiality, privacy and security are increasingly falling by the wayside.

ComBOTS® – SECURE, PRIVATE, PERSONAL

With ComBOTS® a new generation in Personal Digital Communication is getting started: 100% spam-free and confidential communication via a network that sets a new standard in performance. We are bringing simplicity, control and privacy back into everybody's communication.

**WE
ARE
READY**



ALL THE PARAMETERS FOR SUCCESS

Our experience has shown that, as a trading platform, the Internet allows rapid, worldwide distribution with minimal marketing effort and without the need for a well-known brand name. With experience and careful preparation in the last three years, with over 50 patent family applications internationally registered and our strong financial basis we are in an excellent starting position for reaching the mass online communications market. With one of the most high-performance data centres in Europe and right from the start based on the most successful proven business models, we are on our way to become the world's most successful company for Personal Digital Communication.

WE
ARE
READY

WE HAVE SHOWN HOW TO TRANSFER VISIONS INTO SUCCESS STORIES

TODAY WE ARE LAUNCHING A COMPANY THAT UNIQUELY COMBINES KNOW-HOW, FINANCIAL POWER AND MARKET POSITIONING

TOMORROW WE WILL REVOLUTIONISE ONLINE COMMUNICATIONS

BE PART OF IT

Dear Shareholders,

Together we can look back on an eventful and exceedingly successful year in which we created the basis for our future success. We not only renamed the company to ComBOTS AG, but also took the WEB.DE portal business into a formidable alliance with United Internet, thereby creating Germany's largest provider for Internet- and portal services. This strategic decision laid a solid, long-term foundation for the WEB.DE portal business in which our company will continue to participate disproportionately through the stake in United Internet. We already can say that this setting of the course for the creation of a new market leader was and continues to be far-sighted and extraordinarily profitable for the company. With an annual profit of 273.1 million euros considerably influenced by the transaction, in 2005 we concluded the WEB.DE era very successfully. These results are also clearly reflected in the development of the ComBOTS share price in the course of last year.

Our next major objective is to make ComBOTS AG the world's most successful company in the field of Personal Digital Communication; we will not accomplish that overnight, but work hard for it with the determination and careful preparation that we have already shown over the last three years. After the completion of the alliance with United Internet, our financial strength at the end of 2005 was 439 million euros in liquid funds, representing 12.24 euros per traded share. By the end of March 2006 this is now more than 500 million euros or more than 14 euros per share. With more than 50 patent family applications internationally registered and a technology designed for well in excess of 100 million users from the outset, we have already laid the foundation for future development. Thanks to our experience and knowledge of what really distinguishes exciting Internet communication products and how these can be combined with the most successful, proven business models and sold quickly with minimal marketing effort via the Internet, we have an excellent initial basis for the next major step in our growth strategy – conquering the global Personal Digital Communication market with our new products. We are firmly resolved to make ComBOTS® an international success and we invite you to share in this success. We are ready!

Alliance with United Internet

On March 16, 2005 our company announced the completion of the strategic alliance with United Internet. Together we were determined to create the new No. 1 on the German market for Internet and portal services. The Annual General Meeting agreed to the transaction on July 6/7, 2005 with a majority of 99.87%. After an altogether long process characterised by legal requirements, United Internet acquired the Internet portal business together with all employees, technologies, fixed assets and branding and licence rights with effect from October 31, 2005. The commercial date for the execution of the transaction was September 30, 2005. The portal business thus became the entire property of United Internet as from the fourth quarter of 2005 and was completely de-consolidated. The acquisition was completed as agreed for a cash price of 200 million euros and 5.8 million in freely tradable United Internet AG shares with a tax value of 26.60 euros per share on transaction day (October 31, 2005). The volume of the transaction was thus worth a total of 354 million euros on October 31, 2005, or 21 million euros more than assumed when the transaction was announced in March 2005. Thanks to the excellent development of the United Internet share, strengthened by the acquisition of the WEB.DE portal, the value of the transaction as at December 31, 2005 increased to 387 million euros and, as of March 31, 2006, is in fact more than 500 million euros. The increase in value of United Internet AG, in which ComBOTS AG now holds a 9.31% interest, was more than 130% within one year. The approach of creating substantial market value even more quickly by bringing our portal business into the new market leader in an extraordinarily dynamically growing market has more than impressively led to the desired result.

Annual Profit of 273.1 Million Euros Due Largely to Transaction

The annual profit for 2005 was greatly influenced by the exceedingly positive effects of the transaction. Until it was sold, the portal business, which dominated operations in the past, achieved record revenues of 41.2 million euros, a gross operating profit of 31 million euros and an operating result before interest, taxes, depreciation and amortisation (EBITDA) of 13.4 million euros, representing an EBITDA margin of 33 %. Sales revenues from the portal business thus rose by around 35% compared to the corresponding period in the previous financial year. This very positive development was driven by the WEB.DE Club and, in particular, the media sales area, where we succeeded in achieving above-average growth rates. In 2005 the long awaited breakthrough to marked increases in volume and sales revenues was achieved. We are particularly proud of the fact that we were thus able to contribute the many years of sales and revenue momentum in the fourth quarter of 2005 together with United Internet, the newly-formed market leader on the German portal and Internet services market.

Because of the transfer of the portal business to the United Internet Group, the 2005 financial year shows a positive result of 286 million euros from discontinued business activities. This takes into account all taxes and costs resulting from the transaction and the migration of the business as well as the result of the portal business up to the transfer with commercial effect on September 30, 2005. Even without the increase in value of the United Internet shares after the conclusion of the transaction, this is an excellent result.

At this point we owe special thanks to the employees of the portal business and the employees of ComBOTS, who together have ensured that this extremely important transaction and migration were completed so smoothly.

In preparation for launching ComBOTS®, the Personal Digital Communication division – now the only remaining division – is characterised by forward looking investments in the establishment of the business, in product development and in preparation for the launch. In the 2005 financial year 13.1 million euros went into research and development alone. As a visible result, 21 new patents were applied for in 2005 alone, so that the company now has over 94 patents and patent applications. This deliberate increase in our development and start-up efforts is reflected in the result from normal business activities of –12.8 million euros and an EBIT of –17.3 million euros respectively for the 2005 financial year. Group revenues (0.6 million euros) and gross operating profit in 2005 (0.5 million euros) only play a minor role after de-consolidation of the portal business and before the introduction of the ComBOTS® product.

Overall the 2005 financial year concluded with an annual profit of 273.1 million euros (2004: –2.4 million euros) and a balance sheet profit of 269.8 million euros (2004: –3.3 million euros).

Against the backdrop of the imminent launch of the ComBOTS® product directly before this year's Annual General Meeting and the currently unforeseeable financing requirements from the planned international expansion, the Executive Board and the Supervisory Board suggest that the balance sheet profit be carried forward completely on new accounts. Only in this way will it be possible to achieve consistent exploitation of the market opportunities resulting from the development of our new ComBOTS® product.

comBOTS®

ComBOTS AG Shares: Changing the Company's Name and the Changeover to Registered Shares
As a result of our strategic positioning for the future, the shares you hold in your securities accounts underwent a major change in 2005. With the agreement of the majority of the Annual General Meeting we changed the company's name to "ComBOTS AG". We also changed to this catchy name at the various stock exchange locations. You will find ComBOTS AG shares, which are listed unchanged in the TecDAX, in the information systems and share price lists under the descriptive short form of CMBT (ISIN DE 000CMBT111). In the course of changing the company name we simultaneously changed the shares to registered shares. We are convinced that, as a result, in future we will be able to hold an even more intensive dialogue with our more than 60,000 shareholders regarding our objectives and our concrete development steps for the company

The pleasing performance of our share price since the 2005 Annual General Meeting currently reflects only the development of our net asset value as measured by the net value of assets of existing liquidity. The expected cash flow from our investments over the last three years in product, organisation and technology, along with the enormous market potential for Personal Digital Communication, are not even included in this price development. The current price of our shares does not yet reflect this potential today.

Our Goal: The Most Successful Company for Personal Digital Communication
Building on our technological and innovative competence, with ComBOTS® we are resolutely pursuing our next goal: to become the world's most successful company for Personal Digital Communication, with a trend-setting concept and unique products. Our vision is for everyone around the world to be able to communicate better – thanks to our products.

With ComBOTS® we are preparing the next generation of communication in our laboratories with numerous international patent applications and our entire growth and technology experience from the WEB.DE years. In particular we have learnt immensely from the development and marketing of Com.Win, the first-generation web-telecommunications product. We feel that today's mix of e-mail, text messaging, MMS, instant messaging, Voice over IP, web cams, video chat, online photos, web drives, mobile e-mail, push e-mail and spam protection is far too complex and a long way from being really fun. We intend to improve on that. ComBOTS® stands for spam-free, entertaining and confidential drag-&-drop communications. The digital revolution is changing the world and new, great products have often made new company successes possible.

We are therefore especially pleased to be able to present to you our new product at the Annual General Meeting on July 13, 2006.

We would like to express our gratitude to you for your confidence in us and your patience. We will continue to do our utmost to keep the company moving ahead quickly in the future too, and to increase the value of the company substantially and sustainably for the long term.

Yours Sincerely,

Michael Greve
Chairman & Founder

AT A GLANCE in millions €

	2005	2004
SALES REVENUES	0.6	0.7
COST OF SALES	–0.1	–0.2
GROSS OPERATING PROFIT	0.5	0.5
MARKETING + ADVERTISING	–0.7	–0.6
GENERAL ADMINISTRATION COSTS	–4.0	–1.6
RESEARCH + DEVELOPMENT	–13.1	–7.7
OPERATING RESULT	–17.3	–9.3
RESULT FROM CONTINUING ACTIVITIES	–12.8	–9.0
RESULT FROM DISCONTINUED ACTIVITIES	285.9	5.7
NET RESULT FOR THE YEAR	273.1	–3.3
LIQUID FUNDS	439.0	109.0
SHAREHOLDERS' EQUITY	428.9	125.5
BALANCE SHEET TOTAL	**476.7**	**156.4**

HEIKO SCHNEEFELD

Heiko Schneefeld has worked in management positions in software development and company management for a total of twelve years. He already became acquainted with our company when he had technical responsibility for the establishment of the financial location of more.de AG. In this position Heiko Schneefeld created the technical platform for the public listing of WEB.DE AG via the Internet in 2000 as well as for other major successful online listings such as the Deutsche Post AG.

FRANK SCHÜLER

Frank Schüler was the Managing Director of WEB.DE AG's most important subsidiaries for almost six years. This inclued responsibility for the WEB.DE Club and the foundation of WEB.DE's premium services, as well as its telephony business.
Frank Schüler previously worked for the international management consulting firm of PriceWaterhouseCoopers for five years in company management level consulting.

MICHAEL GREVE

Michael Greve founded WEB.DE together with his brother and in only a few years developed it into Germany's leading Internet portal. As former technical director at Cinetic GmbH and CTO at WEB.DE AG he won many international technology prizes with the products that he and his teams developed there.

MATTHIAS HORNBERGER

From 1989 to 1999 Matthias Hornberger worked in investment banking at the Dresdner Bank and Sal. Oppenheim jr. & Cie. His last position at the latter was as a manager, where he established the investment division. Since 2000 he has been responsible at Executive Board level for capital market issues, legal affairs, M&A and cooperations.

ROBERT GRATZL

As Chief Financial Officer Robert Gratzl has been responsible for Finance & Controlling since 2000. Previously he spent ten years at Arthur Andersen in Stuttgart, where he advised companies in the small and medium-sized sector, becoming manager of the section as a partner in 1998. Robert Gratzl has a Dipl.-Betriebswirt (FH) business management degree and is a qualified auditor and tax consultant.

THE ComBOTS GROUP MANAGEMENT____________________

Michael Greve, Chairman and Founder of ComBOTS AG

Frank Schüler, President and Managing Director of ComBOTS Product GmbH & Co. KG, is responsible for Sales & Marketing

Robert Gratzl, CFO and Executive Board member of ComBOTS AG, is responsible for Finance & Controlling

Heiko Schneefeld, CTO and Managing Director of ComBOTS Product GmbH & Co. KG, is responsible for IT

Matthias Hornberger, Executive VP Corporate Affairs and Executive Board member of ComBOTS AG, is responsible for Corporate Affairs and Investor Relations ______________

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the course of the 2005 financial year too, the Supervisory Board of ComBOTS AG has again fulfilled the tasks required of it by the company bylaws, the rules of internal procedure and the law. It has been in regular, ongoing and intensive dialogue with the Executive Board of the company and has been advised verbally and in writing on the day-to-day running of the business, the company's business situation, anticipated developments and major investment plans.

Over the 2005 financial year the Supervisory Board has had intensive discussions on major business transactions with the Executive Board, has monitored the company's management and has found out explicitly about ComBOTS AG's business plans. At the same time, outside the meetings of the Supervisory Board, I personally was in regular contact with the Executive Board and found out about current developments, the company's current situation and essential business events. No committees of the Supervisory Board were formed as the Supervisory Board of ComBOTS AG is made up of a total of only three people.

In the 2005 business year the Supervisory Board held a total of eleven meetings and two conference calls. No Supervisory Board member attended less than half the meetings. Generally speaking the plenum has also concerned itself with examining the efficiency of the Supervisory Board on a regular basis. Issues discussed by the board last financial year included the company's fundamental continued development, the development in sales revenues, results and employment as well as the financial situation of ComBOTS AG. A further issue raised at the meetings was the comprehensive strategic alliance with United Internet AG, including – prior to this strategic alliance – chiefly examining the alternatives to this alliance, including possible alliances with other companies, making acquisitions or acquiring shareholdings in companies, joint ventures etc. The Supervisory Board was kept informed constantly by the Executive Board and has examined carefully the sale of the Internet portal business WEB.DE to United Internet. After a critical examination of the situation the Supervisory Board was convinced that the decision of the Executive Board in favour of United Internet AG as a partner was correct. After determining the structure of the transaction and the consideration in return, together with other conditions, the Supervisory Board fully discussed the key points of the alliance and agreed with the view of the Executive Board that the strategic alliance with United Internet AG promises the most success for ComBOTS®.

The reorientation of the company after the agreement on the strategic alliance with United Internet AG resulted in the Supervisory Board intensively examining the future concentration of the company on Personal Digital Communication and the plans to launch the future product ComBOTS® onto the market. The Supervisory Board looked at strategic issues before and after the company's reorientation in relation to the strategic alliance with United Internet AG and assisted and monitored the work of the Executive Board. At the ordinary Annual General Meeting of July 6/7, 2005, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Mannheim, was appointed independent auditor for the 2005 financial year. ComBOTS AG's financial statements as of December 31, 2005, along with the management report and the consolidated financial statements as of December 31, 2005 and the Group management report were audited by the independent auditor, and an unqualified audit opinion was issued by the auditor for the statements and reports. The financial statements, the management reports and the audit reports were submitted to the Supervisory Board and explained in detail at the balance sheet meeting of the Supervisory Board on March 14, 2006. During the meeting the auditor gave an account of the most relevant findings of the audit. The Supervisory Board has noted with approval the results of the audit by the auditor. The financial statements and the consolidated financial statements of ComBOTS AG for the 2005 financial year, together with

the management reports and the proposal of the Executive Board for the appropriation of the balance sheet profit were examined thoroughly by the Supervisory Board. Based on the final result of its examination, the Supervisory Board stated that there were no objections to the financial statements, the consolidated financial statements, the management report or the Group management report prepared by the Executive Board.
In its meeting on March 14, 2006 the Supervisory Board of ComBOTS AG therefore approved the financial statements and the consolidated financial statements of ComBOTS AG prepared by the Executive Board.
The financial statements have therefore been adopted. The Supervisory Board also approved the proposal for the appropriation of the balance sheet profit made by the Executive Board. The Executive Board of ComBOTS AG also presented the Supervisory Board with its report for the 2005 financial year on relations with associated companies and presented the corresponding audit report by Ernst & Young AG Wirtschaftsprüfungsgesellschaft.
In its report on the audit of the report about relations with affiliated companies, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Mannheim issued the following opinion:

"On the basis of our duty of examination and assessment, we hereby confirm that
(1) the actual statements in the report are correct and that
(2) the consideration given by the company for the legal transactions specified in the report was not unreasonably high."

The Supervisory Board has noted the auditor's report with approval and examined the report by the Executive Board disclosing relations with affiliated companies. Based on the conclusions of its examination, the Supervisory Board raises no objections to the declaration of the Executive Board at the end of its report about its relations with affiliated companies.

Transparency, responsible and value-oriented corporate management and control are summarised under the heading of Corporate Governance. ComBOTS AG regards responsible Corporate Governance as a key prerequisite for the creation of sustainable value for shareholders and investors.

Under the German Corporate Governance Code the Executive Board and Supervisory Board of ComBOTS AG issued the annual declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) on December 16, 2005, which was also published on the ComBOTS AG website www.combots.com and made permanently accessible. The declaration expresses the commitment of ComBOTS AG to the recommendations of the Code. Furthermore, on pages 16 ff. of this Annual Report the Executive Board and the Supervisory Board also report on Corporate Governance at ComBOTS in accordance with clause 3.10 of the German Corporate Governance Code as amended on May 21, 2003.

At this point the Supervisory Board of ComBOTS AG would like to thank the Executive Board, all employees of ComBOTS AG and in particular all former employees for their especially high level of commitment, their enormous motivation and successful work in the 2005 reporting year.

Karlsruhe, March 14, 2006
The Supervisory Board

Hansjörg Reiter, Chairman

CORPORATE GOVERNANCE REPORT OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

At ComBOTS AG responsible and value-oriented corporate management is deeply rooted. It has a long tradition and hence enjoys a very high standing. We regard it as an indispensable prerequisite and a key requirement for a sustainable increase in the value of the company for our shareholders and investors.

The Executive Board and Supervisory Board of ComBOTS AG regard Corporate Governance as a crucial element of Germany as a modern capital market and business location. ComBOTS AG welcomes the German Corporate Governance Code, which constitutes the essential statutory provisions on the management and supervision of listed German companies and which contains internationally and nationally recognised standards of good and responsible corporate management. The German Corporate Governance Code aims to promote the trust and confidence of German and international investors together with the general public in the management and supervision of listed German stock corporations.

Declaration of Conformity

According to Section 161 of the German Stock Corporation Act (AktG), Executive Boards and Supervisory Boards of publicly listed stock corporations in Germany are required to make an annual declaration that the recommendations of the German Corporate Governance Code promulgated by the government commission in the official section of the electronic Federal Gazette of the German Federal Ministry of Justice have been and will be complied with or else specify which recommendations have not been or will not be applied. The declaration is to be made permanently accessible to shareholders.

The Executive Board and Supervisory Board issued the annual declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 16, 2005; this declaration was also published and made permanently accessible at ComBOTS AG's website www.combots.com.

It declares that with negligible exceptions – elaborated in detail below – the recommendations of the Government Commission on the German Corporate Governance Code have been and continue to be complied with. ComBOTS AG's Executive Board and Supervisory Board also intend to comply with these recommendations in future.

Annual General Meeting

In compliance with the guidelines of the Code, the company has simplified the personal exercising of voting rights by the shareholders. For those shareholders who did not want to or who were not able to exercise their voting right themselves, the company has nominated a non-discretionary proxy.

As in past years, parts of the Annual General Meeting on July 6/7, 2005 were broadcast live on the Internet.

In the 2005 financial year the Corporate Governance Code guidelines were deviated from to the extent that reports and other documentation for the Annual General Meeting were not published on the Internet but, under the terms of the German Stock Corporation Act, were available for inspection at the company's premises by the shareholders and sent to them if requested. The contracts and their appendices contained therein confidential information intended exclusively for the company's shareholders. Such confidentiality could not be guaranteed by publication on the Internet.

The company will publish all reports and documentation on the Internet again in the current year.

Interim Reports

In deviation from the recommendations of the Code, in the first and third quarters of 2005 the quarterly reports were published outside the 45-day rule called for by the Code. Owing to an accounting changeover and the alliance with United Internet AG publicised in this period, the report for the first quarter was not published for 55 days. The report for the third quarter was not published for 53 days owing to the conclusion and implementation of the comprehensive alliance transaction with United Internet.

Close Cooperation Between Executive Board and Supervisory Board

In keeping with good, responsible Corporate Governance at ComBOTS, the Executive Board and Supervisory Board cooperate in an ongoing and very close manner. They consult on the issues recommended by the Code but also on other issues beyond these, so that immediate, regular and close coordination between the Executive Board and the Supervisory Board is assured. Nevertheless, at the present time there is a deviation from the recommendation to form specialist committees and an audit committee (Clauses 5.3.1 and 5.3.2), as the Supervisory Board consists of only three members and the formation of special committees is not regarded as practical under specific ComBOTS conditions.

In its management of ComBOTS AG the Executive Board has committed itself to the interests of the company, commercial principles, company guidelines and the generally accepted rules of good company management practice. The Executive Board and the Supervisory Board cooperate closely for the good of the company; the Executive Board develops the strategic direction in agreement with the Supervisory Board and ensures that this is implemented.

The company's bylaws and the Executive Board's rules of internal procedure regulate reservations on consent to decisions or measures which would fundamentally change the company's assets, financial position or profitability. The Supervisory Board receives in good time all documentation required for the decision-making process which enables constructive and open discussion and allows a decision to be reached.

During their term of office on the Executive Board, its members are subject to a far-reaching non-competition clause. In addition, any ancillary activities on the part of Executive Board members, in particular the membership of other Supervisory Boards, require the consent of the Supervisory Board as a matter of principle.

The members of the Supervisory Board declare that they are independent of the executive management of the company and maintain no business relations to the company that might influence the independent formation of their opinions. In its report the Supervisory Board informs the Annual General Meeting of any conflicts of interest that may have arisen.

Performance-Related Remuneration of Executive Board and Supervisory Board

Since the 2003 financial year, the Executive Board and Supervisory Board have received performance-related remuneration as recommended by the Code. In the 2005 financial year the compensation of the Executive Board members was set at an appropriate level based on an assessment of their performance, which took into account the special duties of each Executive Board member, their personal performance, the performance of the Executive Board, the general economic situation, the company's operating result and the future prospects of ComBOTS AG. All components of the remuneration package are appropriate, both jointly and severally.

The company publishes the total remuneration of all board members, including their stock options. Deviating from the recommendations of the Code, however, specific, individual Executive Board and Supervisory Board remuneration (Clauses 4.2.4 and 5.4.5) is not disclosed in order to protect privacy and in recognition of the members' constitutionally guaranteed right to determine for themselves what use is made of their personal information. Furthermore, stock options are not limited in the event of unforeseen developments, contrary to the recommendation in the Code (No. 4.2.3).

In 2005 the fixed remuneration of the entire Executive Board was T€ 927. Variable remuneration of 0.5% of the positive consolidated result before income tax was introduced in 2004. This is limited to a maximum of 25% of the fixed remuneration. The total subscription rights to ordinary shares, their allocation and the directors' holdings may be seen on the relevant web pages of our Investor Relations section and on page 41 of this Annual Report.

Founder Michael Greve, who has no subscription rights to ComBOTS AG ordinary shares, is entitled to compensation in the form of a bonus, which is determined by the annual increase in the company's market capitalisation. As soon as the market capitalisation crosses the threshold of approximately € 510 million, at the end of that year Michael Greve will receive a bonus of some T€ 12,8 for every full increase in market capitalisation by a further € 51 million. There was a corresponding provision for Matthias Greve.

With the departure of Mr Matthias Greve from the Executive Board as of October 31, 2005, this bonus provision now applies only to Michael Greve.

In 2005 the fixed remuneration of the entire Supervisory Board, consisting of three members, was T€ 63.
The remuneration of the Supervisory Board of ComBOTS Aktiengesellschaft is made up as follows:

Each Supervisory Board member receives fixed compensation as well as a further performance-related bonus of 0.1% of the positive consolidated result before income tax in accordance with the consolidated financial statements as adopted. The Chairman elected by the Supervisory Board receives double the above-mentioned fixed and performance-related compensation. The Deputy Chairman receives one and a half times the fixed and performance-related compensation. In addition to this remuneration, the members of the Supervisory Board each receive an allowance of € 500 for every board meeting they attend in person.

Transparency

The open and transparent handling of information for the relevant target groups of ComBOTS AG enjoys the high status of responsible and value-oriented company management per se. Transparency is a holistic commitment, which promotes and consistently intensifies the confidence and trust of all persons connected with ComBOTS AG. Not only the Supervisory Board and the Executive Board are bound by these principles – the employees identify with them as well. A Corporate Governance officer has been appointed to monitor compliance with the German Corporate Governance Code.

In addition to the statutory requirement for German public companies to supply and disclose information, the Executive Board of ComBOTS AG reports regularly on all matters concerning the company in its annual and quarterly reports, ad hoc reports, analyst conferences, investor events and press events while complying with the required equal treatment of all shareholders.
The above-mentioned reports, communications and presentations are published on ComBOTS AG's website. This information is intended for ComBOTS' shareholders and all other interested parties visiting ComBOTS' website.

Accounting and Auditing

In its 2005 financial statements, for the first time ComBOTS AG has prepared its accounts according to the internationally recognized IFRS accounting principles.
The auditor attends Supervisory Board meetings where the financial statements are discussed, audited and adopted by the Supervisory Board.

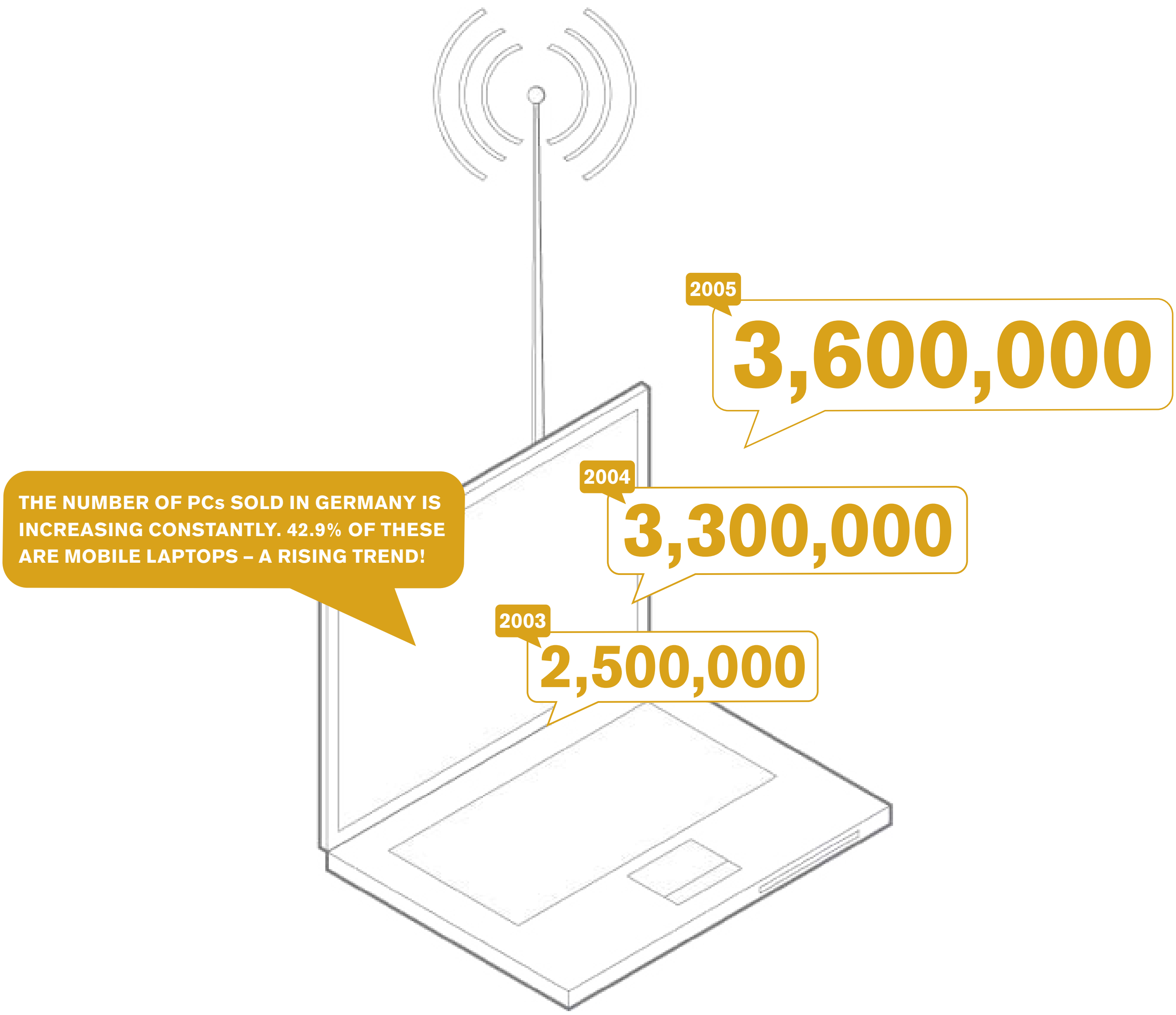
The auditor has submitted the declaration of impartiality to the Supervisory Board called for by the Code; the auditor holds no other mandates at ComBOTS AG beyond his duties as auditor.

ComBOTS AG thus complies with the above-mentioned German Corporate Governance regulations.

Karlsruhe, March 2006
The Executive Board and Supervisory Board of ComBOTS AG

ComBOTS AG KARLSRUHE FINANCIAL KEY FIGURES

SALES OF MOBILE LAPTOPS IN GERMANY



Source: Gesellschaft für Konsumgüterforschung

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR 2005 in T. €

	Appendix*	2005	2004
SALES REVENUES	(21)	616	690
COST OF SALES		–102	–174
GROSS OPERATING PROFIT		**514**	**516**
MARKETING AND ADVERTISING	(18)	–670	–560
GENERAL ADMINISTRATION COSTS	(18)	–3,983	–1,558
RESEARCH AND DEVELOPMENT	(18)	–13,146	–7,689
OPERATING RESULT		**–17,285**	**–9,291**
INCOME FROM INTEREST	(18)	4,586	4,709
INTEREST PAID	(18)	–640	–640
NET INCOME FROM ASSOCIATED COMPANIES	(9)	–85	132
OTHER INCOME FROM INVESTMENTS	(18)	0	–3,901
NET RESULT BEFORE TAXES		**–13,424**	**–8,991**
PROCEEDS FROM TAXES	(18)	614	0
RESULT FROM CONTINUED BUSINESS OPERATIONS		**–12,810**	**–8,991**
RESULT FROM DISCONTINUED BUSINESS OPERATIONS	(6)	285,935	5,736
/LOSS		**273,125**	**–3,255**
RESULT PER SHARE			
/ undiluted	(20)	7.60	–0.09
/ diluted	(20)	7.44	–0.09
RESULT PER SHARE FROM CONTINUED BUSINESS OPERATIONS			
/ undiluted	(20)	–0.36	–0.25
/ diluted	(20)	–0.35	–0.24
RESULT PER SHARE FROM DISCONTINUED BUSINESS OPERATIONS			
/ undiluted	(20)	7.96	0.16
/ diluted	(20)	7.79	0.16
AVERAGE NO. OF SHARES UNDILUTED		**35,942,704**	**36,114,034**
AVERAGE NO. OF SHARES DILUTED		**36,705,208**	**36,705,617**

*The Appendix is an integral Part of the Consolidated Financial Statements.

BALANCE SHEET ASSETS in T. €

	Appendix *	Dec. 31, 2005	Dec. 31, 2004
LONG-TERM ASSETS			
/ Tangible Assets	(12)	23,669	27,739
/ Intangible Assets	(13)	567	2,586
/ Goodwill	(13)	0	6,749
/ Holdings in Associated Companies	(9)	332	417
/ Total Loans	(8)	498	705
/ Investment Securities	(10)	247,947	63,124
TOTAL LONG-TERM ASSETS		**273,013**	**101,320**
SHORT-TERM ASSETS			
/ Cash and Cash Equivalents	(7)	150,757	17,513
/ Marketable Securities	(10)	40,325	28,351
/ Trade Accounts Receivable	(8)	2,178	5,555
/ Due from Associated Companies	(23)	194	126
/ Tax Rebate Claims	(8)	1,670	2,900
/ Other Assets and Active Accruals and Deferrals	(8)	8,531	630
TOTAL SHORT-TERM ASSETS		**203,655**	**55,075**
TOTAL ASSETS		**476,668**	**156,395**

BALANCE SHEET LIABILITIES in T. €

	Appendix *	Dec. 31, 2005	Dec. 31, 2004
SHAREHOLDERS' EQUITY			
/ Ordinary Shares, Accounting Par Value € 1	(16)	38,361	38,203
/ Capital Reserves	(16)	104,373	103,164
/ Other Reserves	(16)	32,523	483
/ Balance Sheet Profit / Loss	(16)	269,795	–3,330
/ Company-Owned Shares	(20)	–16,175	–13,003
TOTAL SHAREHOLDERS' EQUITY		**428,877**	**125,517**
LONG-TERM LIABILITIES			
/ Due to Banks from the Property Leasing Company	(15)	12,269	12,162
SHORT-TERM LIABILITIES			
/ Trade Accounts Payable	(8)	9,808	2,356
/ Liabilities Against Associated Companies	(23)	0	66
/ Advanced Payments Received	(8)	0	4,130
/ Provisions	(14)	2,263	641
/ Tax Provisions	(14)	18,095	13
/ Deferred revenues	(8)	0	8,807
/ Other Short-Term Liabilities	(8)	5,356	2,703
TOTAL SHORT-TERM LIABILITIES		**35,522**	**18,716**
TOTAL LIABILITIES		**476,668**	**156,395**

* The Appendix is an integral Part of the Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT FOR 2005 in T. €

	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
NET RESULT FOR YEAR	**273,125**	**–3,255**
RESULT FROM SALE OF THE "INTERNET PORTAL" OPERATIONS	–276,707	0
RESULT FROM AT-EQUITY HOLDINGS	85	–132
INCOME FROM INTEREST	–4,586	–4,709
INTEREST PAID	640	640
PROCEEDS FROM TAXES	–614	0
AMORTISATION OF FINANCIAL ASSETS	0	3,901
AMORTISATION OF INTANGIBLE AND TANGIBLE ASSETS	6,734	7,264
DISPOSAL OF ASSETS	0	–27
EXPENSES FROM EMPLOYEE SHARE OPTION PLAN	120	194
RESULT FROM THE SALE OF MARKETABLE SECURITIES	392	–833
CHANGES TO TRADE ACCOUNTS RECEIVABLE	3,377	–804
FROM ASSOCIATED COMPANIES	–68	32
CHANGES TO OTHER ASSETS AND PRE-PAID EXPENSES	–6,671	–688
CHANGES TO SHORT-TERM LIABILITIES AND DEFERRED EXPENSES	6,235	8,476
INFLOW FROM OPERATING ACTIVITIES	**2,062**	**10,059**
/ from continued business operations	–11,839	–9,830
/ from discontinued business operations	13,901	19,889
CASHFLOW FROM INVESTMENTS		
INFLOW (FROM SALE OF PORTAL OPERATIONS)	153,075	0
INVESTMENTS IN INTANGIBLE ASSETS	–3,347	–2,095
INVESTMENTS IN PROPERTY, PLANT & EQUIPMENT	–10,085	–6,836
PROCEEDS FROM SALE OF FIXED ASSETS	0	26
CHANGES TO INVESTMENT SECURITIES FROM FIXED AND CURRENT ASSETS	–11,060	6,656
INFLOW OF FUNDS FROM INVESTING ACTIVITIES	**128,583**	**–2,249**
/ from continued business operations	–20,727	3,645
/ from discontinued business operations	149,310	–5,894
NET CASH USED/PROVIDED BY FINANCING ACTIVITIES		
CAPITAL INCREASES	706	22
ACQUISITION OF TREASURY STOCK	–3,172	–1,248
INCURRING LIABILITIES OF THE LEASING PROPERTY COMPANY	108	1,409
LOAN REPAYMENTS	207	306
DEPOSITS FROM INTEREST	5,390	4,300
PAYMENTS FROM INTEREST	–640	–640
CASH OUTFLOW FROM FNANCING ACTIVITIES	**2,599**	**4,149**
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	133,244	11,959
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,513	5,554
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	**150,757**	**17,513**

DEVELOPMENT OF CONSOLIDATED SHAREHOLDERS' CAPITAL in T. €

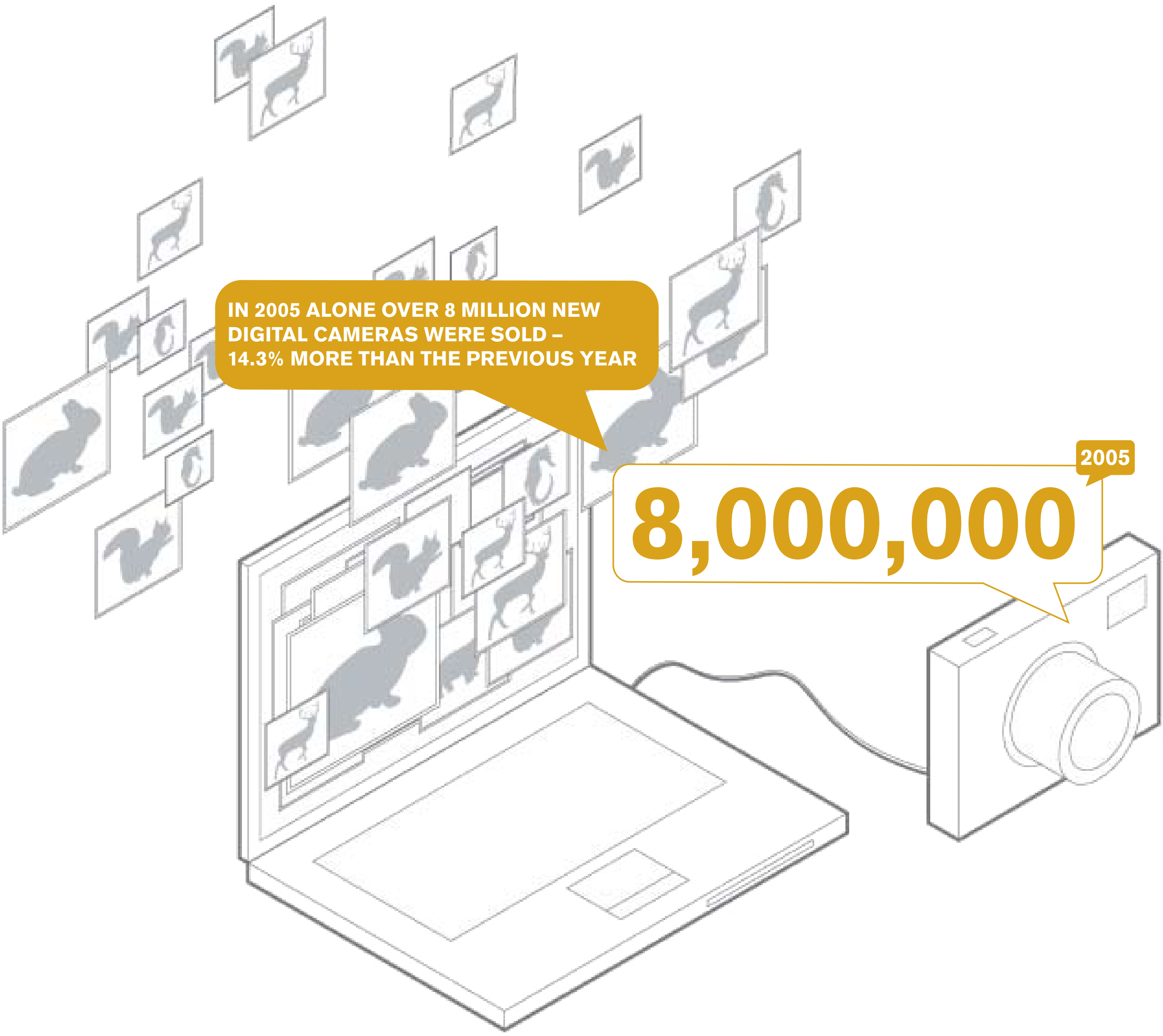
	Ordinary Shares	Capital Reserves	Other Reserves	Annual Result	Company Owned Shares	TOTAL
JANUARY 1, 2004	**38,198**	**102,953**	**101**	**–75**	**–11,755**	**129,422**
Capital increase from conditional capital	5	17				22
Acquisition of treasury stock					–1,248	–1,248
Effects of employee shareholding plans		194				194
Changes to shareholders' capital from available-for-sale securities not affecting operating result			382			382
Annual deficit				–3,255		–3,255
DECEMBER 31, 2004	**38,203**	**103,164**	**483**	**–3,330**	**–13,003**	**125,517**
Capital increase from conditional capital	158	548				706
Acquisition of treasury stock					–3,172	–3,172
Effects of employee shareholding plans		661				661
Changes to shareholders' capital from available-for-sale securities not affecting operating result			32,040			32,040
Annual deficit				273,125		273,125
DECEMBER 31, 2005	**38,361**	**104,373**	**32,523**	**269,795**	**–16,175**	**428,877**

SCHEDULE OF MOVEMENTS IN CONSOLIDATED ASSETS in T. €

	Cost of Acquisition and Production				Amortisation				Book Value	
	Jan. 1, 2005	Additions	Disposals	Dec. 31, 2005	Jan. 1, 2005	Additions	Disposals	Dec. 31, 2005	Dec. 31, 2005	Dec. 31, 2004
INTANGIBLE ASSETS										
Licences and similar Intangible Assets	9,154	3,347	11,934	567	6,568	1,426	7,994	0	567	2,586
Goodwill	9,240	0	9,240	0	2,491	0	2,491	0	0	6,749
	18,394	**3,347**	**21,174**	**567**	**9,059**	**1,426**	**10,485**	**0**	**567**	**9,335**
FIXED ASSETS										
Property, leasehold rights and buildings	18,608	2,146	2,648	18,106	1,297	2,041	1,065	2,273	15,833	17,311
Plant and machinery	20,822	6,559	19,311	8,070	13,764	2,252	13,170	2,846	5,224	7,058
Other fixtures and fittings, tools and equipment	6,085	1,380	3,617	3,848	2,715	1,015	2,494	1,236	2,612	3,370
	45,515	**10,085**	**25,576**	**30,024**	**17,776**	**5,308**	**16,729**	**6,355**	**23,669**	**27,739**
FINANCIAL ASSETS										
Participating interests in affiliated companies	48	0	0	48	48	0	0	48	0	0
Participating interests	11,511	0	11,511	0	11,511	0	11,511	0	0	0
Participating interests in associated companies	417	0	85	332	0	0	0	0	332	417
Loans	705	0	207	498	0	0	0	0	498	705
Fixed assets securities	63,124	210,969	26,146	247,947	0	0	0	0	247,947	63,124
	75,805	**210,969**	**37,949**	**248,825**	**11,559**	**0**	**11,511**	**48**	**248,777**	**64,246**
	139,714	**224,401**	**84,699**	**279,416**	**38,394**	**6,734**	**38,725**	**6,403**	**273,013**	**101,320**

ComBOTS AG KARLSRUHE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SALES OF DIGITAL CAMERAS REACH A NEW RECORD HIGH



Source: Gesellschaft für Konsumgüterforschung

ComBOTS AKTIENGESELLSCHAFT KARLSRUHE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2005

1. The Parent Company

Publicly listed in February 2000 as WEB.DE AG, the company changed its name in November 2005 to ComBOTS AG (referred to hereinafter in its shortened form as “ComBOTS” or “the company”) by registration in the Commercial Register. This was done as an expression of its focus on the global market for Personal Digital Communication and its focus on global growth.

In October 2005 ComBOTS successfully completed the last step in its strategic alliance with the United Internet Group. As part of the alliance, ComBOTS sold its well-known German Internet portal WEB.DE to United Internet.

2. Business Activities

The purpose of the company is the development, operation and marketing of online services and electronic and non-electronic communications and media products in Germany and abroad. All business activities which are directly or indirectly suitable for furthering the purpose of the company may be utilised. The purpose of the company includes the formation or acquisition of, or investment in, other companies in Germany and abroad, and all other measures and legal transactions conducted which are necessary for, or which serve, the purpose of the company may be used.

3. Accounting Principles

Applied Accounting Standards

The consolidated financial statements were prepared for the first time in accordance with International Financial Reporting Standards (IFRS). All valid standards (International Accounting Standards IAS and IFRS) and all valid interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC) were applied on the relevant date, taking into account the regulations of Section 315a of the German Commercial Code (HGB) as they are meant to be applied in the EU. As these are ComBOTS’ first published financial statements according to IFRS, all versions of the standards and interpretations valid at the time of transition (January 1, 2004) were applied, i.e., even if their compulsory use comes into effect later but before the balance sheet date. The following standards for preparing the opening balance sheet were included even before the compulsory use of the valid version as of December 31, 2005:

* IFRS 2 Share-Based Remuneration
* IFRS 3 Company Mergers
* IFRS 5 On the Sale of Retained, Long-Term Assets and Discontinued Business Segments
* IAS 1 Presentation of Financial Statements
* IAS 8 Balancing and Valuation Methods, Alterations to Estimates and Errors
* IAS 10 Events After the Balance Sheet Date
* IAS 16 Tangible Assets
* IAS 17 Leases Held
* IAS 24 Information on Relationships to Affiliated Companies and Persons
* IAS 27 Consolidated and Separate Individual Financial Statements According to IFRS
* IAS 28 Holdings in Associated Companies
* IAS 32 Financial Instruments: Information and Description
* IAS 33 Result per Share
* IAS 36 Impaired Value of Assets
* IAS 38 Intangible Assets
* IAS 39 Financial Instruments: Approach and Valuation

Last year’s figures were determined according to the same standards.

The company prepared its consolidated financial statements up to and including the 2004 financial year according to the United States Generally Accepted Accounting Principles – US GAAP.

An explanation of the effects of the changeover on the balance sheet, the profit and loss statement and the cash flow statement as well as on shareholders’ equity can be found under “First Use of IFRS”. This explanation contains a transition of the shareholders’ equity and the results for the period from US GAAP to IFRS.

The Group has not prematurely used standards or IFRIC interpretations which have already been published but which have not yet entered into force. Differentiations were made as follows:

IFRS and IFRIC interpretations adopted by the EU as part of the comitology process and which have not yet come into force, are:

Alterations to IAS 1 "Presentation of Financial Statements"

The additional information requirements resulting from the alteration to IAS 1 "Presentation of Financial Statements" were not included in the consolidated financial statements. The alterations are to be used for financial years beginning on or after January 1, 2007.

Alterations to IAS 19 "Employee Benefits"

The alterations are to be used for financial years beginning on or after January 1, 2006. This alteration will probably have no effect on the consolidated financial statements as the Group has no performance-based plans as defined by IAS 19.

Alterations to IAS 39 – Fair Value Option and Cash Flow Hedge Accounting

The alterations are to be used for financial years beginning on or after January 1, 2006. The company management had not yet completed the analysis of this alteration by the time the consolidated financial statements were prepared.

Alterations to IAS 39 and IFRS 4 – Financial Guarantee Contracts

After the alterations to IAS 39 and IFRS 4, financial guarantees fall solely in the scope of IAS 39. Depending on their form, financial guarantees used to be subject to either the scope of IAS 39 or of IFRS 4. The alteration is to be used for financial years beginning on or after January 1, 2006. It is not applicable to the Group's business activities.

IFRS 6 "Exploration for and Valuation of Mineral Resources"

This standard is not used in the business activities of the Group.

IFRS 7 "Financial Instruments: Information"

IFRS 7 governs the requirement to supply information on financial instruments both from manufacturing companies and from banks and similar financial institutions. IFRS 7 replaces IAS 30 "Information in the Financial Statements of Banks and Similar Financial Institutions" and the requirements to supply information contained in IAS 32 "Financial instruments: Information and Presentation". IFRS 7 is to be used for financial years beginning on or after January 1, 2007. The management had not completed the analysis of the effects of this standard at the time the company financial statements were prepared.

IFRIC 4 "Determining Whether an Agreement Contains a Lease" and IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"

These interpretations are to be used for the first time for financial years beginning on or after January 1, 2006. They will probably have no effect on the consolidated financial statements.

IFRS and IFRIC Interpretations Not Yet in Force and Which Have Not Yet Been Adopted by the EU as Part of the Comitology Process:

Alterations to IAS 21 "Effects of Changes to Foreign Exchange Rates"

The alterations are to be used for the first time for financial years beginning on or after January 1, 2006. However, this alteration will probably have no effects on the consolidated financial statements.

IFRIC 7 "Applying the 'Restatement Approach' under IAS 29 'Financial Reporting in Hyperinflationary Countries' "

This interpretation is to be used for the first time for financial years beginning on or after January 1, 2007. It will probably not apply to the consolidated financial statements.

IFRIC 8 "Scope of IFRS 2"

The alterations are to be used for the first time for financial years beginning on or after May 1, 2006. They will have probably have no effects on the consolidated financial statements.

Methods of Consolidation

The balance sheet, valuation and consolidation methods were applied at all times in all reporting periods described below and in the preparation of the IFRS consolidated opening balance as at January 1, 2004. They were also applied at all times to companies included in the consolidated financial statements.

The consolidated financial statements include ComBOTS AG and all subsidiaries controlled by it. Control may be said to exist if ComBOTS is able to control the company's business and financial policies. Capital consolidation takes place according to the acquisition method in which the cost of acquiring a company is offset against the subsidiary's pro rata shareholders' capital assessed at fair value. Subsidiary companies are consolidated completely from the moment when the group attains control over the company. Resulting positive differential amounts are activated as goodwill and negative differential amounts are immediately booked as affecting the operating result.

All major receivables and liabilities, sales, expenses and revenue between the Group companies involved are offset and interim results are eliminated if they have not been realised by third parties. Unrealised profits from transactions with associated companies are eliminated corresponding to the degree of participation by the Group.

Unrealised losses are eliminated like unrealised profits but only if there is no impairment. The necessary tax accruals and deferrals are made on the consolidation measures according to IAS 12 “Income Tax”.

Holdings in companies not controlled by the Group, but in which the Group has a major influence, are balanced according to the equity method. Other holdings are valued at current market value or if this cannot be determined, at the cost of acquisition. The financial year of the fully consolidated subsidiary companies and associated companies is the same as that of the parent company. ComBOTS’ consolidated financial statements contain the financial statements of the subsidiary companies over which ComBOTS can exercise control as defined by IAS 27, as well as the associated companies in which ComBOTS has a major influence as defined by IAS 28. This includes companies in which ComBOTS has no financial holdings but which are to be interpreted as special purpose entities (SPE) as defined by SIC 12 “Consolidation - Special Purpose Entities” and are therefore included in the consolidated group. In order to identify property companies, SIC 12 has established the following indicators:

* Business activities: From an economic point of view the business activities of the SPEs is carried out for the benefit of the reporting company which directly or indirectly formed the SPE for its specific requirements.

* Decision-Making Powers: From an economic point of view the reporting company has the decision-making powers required to control the SPE or to attain control, including certain decision-making powers which develop after the SPE has been formed. This decision-making power may be delegated by the creation of an “auto-pilot” mechanism.

* Benefit: From an economic point of view the reporting company has – based on articles of association, an agreement or similar – the right to take advantage of the majority of the benefit of the SPE. Such rights may indicate control if they are designed to the advantage of a company which conducts transactions with an SPE and takes safe advantage of this company from the profits derived from the sale of the SPE.

* Risks: Risks may serve as clues to control if the company retains the residual or ownership rights and, from an economic point of view, the investors are only lenders because they are exposed to profits and losses to a limited extent only.

The following table lists the companies included in the consolidated financial statements:

NAME / LOCATION OF THE COMPANY

	Share in %
ComBOTS PRODUCT GMBH & CO. KG, KARLSRUHE	100
ComBOTS PRODUCT MANAGEMENT GMBH, KARLSRUHE	100
ComBOTS HOLDING GMBH & CO. KG, KARLSRUHE	100
ComBOTS MANAGEMENT GMBH, KARLSRUHE	100
B2ABC PERFORMANCE GMBH, KARLSRUHE	100
DIGITAL ENTERTAINMENT GMBH & CO. KG, KARLSRUHE	100
INTERNET-ABRECHNUNGEN.DE GMBH (FORMERLY MORE.IPO GMBH), KARLSRUHE	100
INFORMIA AG, KARLSRUHE	49
SARAH GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG, MANNHEIM	0

The financial statements of the subsidiary companies are listed as at the reporting date of the consolidated financial statements.

Informia AG is included “at equity” in the consolidated financial statements.

In 2001 Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG was formed by SüdLeasing Immobilien GmbH, Mannheim, a subsidiary of the Landesbank Baden-Württemberg (LBBW, or State Bank). The company acquired the land and the building on and in which the premises of ComBOTS are located today and which have been leased to ComBOTS since then. The basic lease period is 20 years. At the end of this basic lease period ComBOTS has both an option to buy the land and buildings and a put and call option to acquire Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG. The company was formed solely to acquire the building and to lease it to ComBOTS and is used solely for this purpose. ComBOTS has no capital interest in the company. Because of the contractual construction and the business activities of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, this SPE must be included in ComBOTS’ consolidated financial statements.

Presentation Method

The preparation of the consolidated financial statements is carried out fundamentally using the historical cost concept. An exception to this are financial assets available for sale which have been valued at their current market value. The consolidated financial statements are shown in euros. Unless otherwise shown, all amounts are rounded in thousands of euros (T €). The financial year is identical to the calendar year.

Use of Estimates

To some extent the preparation of the consolidated financial statements in accordance with the IFRS as it is to be applied in the EU requires the use of estimates or the making of assumptions by the Executive Board which influence the balancing of assets, debts and financial commitments up to the balance sheet date and the revenue and expenses in the reporting period. The actual amounts and developments respectively may deviate from these estimates and assumptions.

In the statement of expense allocation concerning the sale of the portal segment, assumptions were made that affect the purchase price and the receivables and liabilities brought forward.

Additionally, estimates were made about future business operations in respect of the capitalisation of development expenses and the valuation of capitalised deferred taxes on tax loss carryovers which influence the valuation and assessment of these matters. The same applies to the carrying out of impairment tests on tangible assets and which affect goodwill capitalised the previous year.

The estimates and the assumptions on which they are based are constantly examined. Corrections to estimates are posted in the period in which the estimate is checked and if necessary again in later periods if the check also affects current and later periods.

4. Alterations to the Consolidation Group
Formation of New Subsidiaries

In the current financial year the following companies were formed by ComBOTS:

NAME / LOCATION OF THE COMPANY	Shares in %
ComBOTS PRODUCT GMBH & CO. KG, KARLSRUHE	100
ComBOTS PRODUCT MANAGEMENT GMBH, KARLSRUHE	100
ComBOTS HOLDING GMBH & CO. KG, KARLSRUHE	100
ComBOTS MANAGEMENT GMBH, KARLSRUHE	100

De-Consolidation

In the transfer of the portal business to the United Internet group of companies the following subsidiaries were sold and thereby de-consolidated:

* WEB.DE Support GmbH, Karlsruhe
* WEBTELECOM GmbH, Karlsruhe
* WEB.DE Internet Service GmbH, Karlsruhe

Even before they were sold, WEB.DE Freemail GmbH, Karlsruhe merged with WEB.DE Internet Service GmbH in the agreement dated April 21, 2005. At the same time the holding in the non-operational VoIPGroup Inc, Miami/USA was sold for € 1. The holding in the company had already been fully amortised in 2004.

Change of Company Form in the Consolidation Group:

* At the Annual General Meeting of July 6/7, 2005, the change of the legal form of the parent company “WEB.DE AG” to “Combots AG” was decided on and implemented by registration in the Commercial Register on November 16, 2005.
* The legal form of MORE-IPO GmbH was changed to Internet-Abrechnungen.de GmbH.

5. Accounting and Valuation Methods

Holdings in Associated Companies

Holdings in associated companies are valued according to the equity method. The holdings are valued on acquisition at historical cost and then adjusted by the pro rata change in shareholders’ equity. If the shareholders’ equity of the associated company falls to below zero, the holdings are valued at zero and an auxiliary calculation is shown to describe the pro rata loss.

Liquid Funds

All short-term liquid capital investments with an original term to maturity of up to three months are classified as cash and cash equivalents. Due to their short term the book value of the cash and cash equivalents essentially correspond to their current market values.

Financial Investments and Financial Assets

Financial assets as defined by IAS 39 are classified as financial assets which are assessed at their current market value affecting the current period, as loans and debts, as investments held until their final maturity or as financial assets available until sold. When first used as financial assets, they are assessed at their attributable current market value. ComBOTS determines the classification of its financial assets when they are first used.

Receivables are posted at their nominal value minus the appropriate adjustments in valuation corresponding to the market value. Adjustments in valuation to debts are formed corresponding to the likelihood of non-payment.

Other assets are valued at historical cost. Financial assets and securities are valued in accordance with IAS 39. All securities are classified for this purpose either as “held to maturity” or as “available for sale”.

Held-to-maturity securities are valued at “amortised cost” (continued historical cost). This is the amount with which a financial asset was valued at first valuation minus repayments plus or minus the cumulated amortisation of any difference between the original amount and the repayable amount at maturity using the effective yield rate method.

Available-for-sale securities are valued at current market value. Unrealised profits or losses from available-for-sale securities are shown under the other reserves taking into account the deferred taxation effect. If there are no temporary impairments in value, these are included in the result for the current period. The valuation of securities and realised and unrealised profits is made on the basis of an individual valuation. The acquisition and sale of securities of all categories are valued at transaction price on the due date of execution. The charging off of securities is carried out as soon as ComBOTS loses the claim to payments from the securities or this expires.

The purchase and sale of securities of all categories are contained in the consolidated cash flow statement as deposits and payments made from investments.

Reporting of Long-Lived Assets

Tangible assets are reported at cost price less straight-line depreciation over the course of their useful operational life and, if relevant, at the non-scheduled impairment of value. The building belonging to Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG is depreciated using the straight-line method over 40 years. The normal operational use for IT hardware is three years and four to ten years for other fixtures and fittings. No use will be made of the right of election for the capitalisation of cost of debt for qualifying assets.

Tangible assets are either charged off on sale or when further use or sale cannot be expected to result in any further economic use.

All rental and leasing agreements concluded by ComBOTS are to be classified as “Operate Lease” as defined by IAS 17 (“Leases”) and therefore not to be included with assets.

Software acquired by purchase is reported at cost and depreciated over its estimated useful life from two to five years using the straight-line method.

All costs accruing for research and development in the period have been booked as expenses.

Pursuant to IAS 38 the creation process is to be divided up into a re-search and a development phase for the purpose of capitalisation of self-produced Intangible Assets. Costs in the research phase are always to be recorded as expenses while costs in the development phase must be capitalised if certain conditions have been fulfilled:

* the production of the intangible asset must be technically feasible;
* there must be an intention to produce and use and to sell the intangible asset;
* the company must be capable of using or selling the intangible asset;
* the goodwill probably achieve an economic use in the future;
* the company must have the technical, financial and other resources for completing development and being able to use the good later;
* it must be possible to reliably assess the expenses accruing during the development period.

In the case of the research and development work carried out by ComBOTS, i.e. before the market launch of the product, a sufficient indication of a future economic use is currently not possible to any reliable extent.

ComBOTS assesses assets in conformity with IAS 16 “Tangible Assets” and IAS 38 “Intangible Assets”.
For Intangible Assets with an indefinable useful life and therefore without any plannable depreciation, an impairment test is to be carried out at least once a year. According to IAS 36 “Impaired Value of Assets”, non-scheduled depreciations are to be carried out independent of the useful life of goods if events or changes indicate that the book value of these assets is no longer of any value. If there are any such indications, the recoverable amount of the assets is to be determined as a higher amount of the useful life and the net sales value (to be included as current market value less cost of sale). If this is lower than the book value, the recoverable amount is to be depreciated. In case any cash flows cannot be allocated to individual assets in order to determine their useful life, a temporary transfer is to be made to the next-highest unit to which cash flows can be allocated. Goodwill is valued according to IFRS 3 “Business Combinations”. There are no scheduled depreciations of goodwill. Instead, when there are corresponding indications, an impairment test is to be carried out at least once a year. In order to do this, the first step is to distribute goodwill to cash-generating units (CGU) and then to compare the recoverable amount of each CGU with the continued book value. If this is less than the book value of the CGU, it is to be depreciated, but the first step is to devalue existing goodwill and, in case the devaluation requirement exceeds goodwill, then all assets of the CGU are to be depreciated pro rata according to their book value, but this is subject to the restriction that the book value of an individual asset may not drop below the higher of the net sale price and useful value.

Company Holdings
The value of company holdings held by ComBOTS and its subsidiaries are deducted with their historical cost from subscribed capital. Neither profit nor loss result from their acquisition, sale, expenditure and collection.

Liabilities
Short-term accounts payable are shown with their repayment or performance amount. Long-term accounts payable are accrued as costs of purchases.

Provisions
Provisions are formed when ComBOTS has a current obligation to perform based on a past event, when it will lead to a probable outflow of utility and can be accurately estimated. Long-term provisions are discounted if the interest effect is material.

Contingent Claims and Debts
Information on contingent debts is given when ComBOTS has the opportunity of an inflow of economic utility and this inflow of economic utility is probable.

Information on contingent claims is given when ComBOTS has an obligation to perform which is based on a past event and whose resulting outflow of utility cannot be classified as unlikely.

Other Reserves

The other reserves cover all revenue and expenditure and profits and losses recorded in shareholders' capital for the current period according to other standards and interpretations. The items "Other Reserves" show unrealised profits and losses from the market valuation of securities and the resulting deferred tax expenditure and yields.

Share-Based Remuneration

ComBOTS reports the share options issued by the company in accordance with IFRS 2 "Share-Based Remuneration" and in accordance with APB 25 "Accounting for Shares Issued to Employees". In accordance with IFRS 2 the options issued are valued at fair value on the date of issue. If the exercise of the issued options is linked to a given condition such as the expiry of a deadline or the achieving of a specific objective, the expense is recorded in capital reserves over the periods until these conditions have been fulfilled.

IFRS 2 must be used for options issued after November 7, 2002 and whose waiting period has not yet expired. If the waiting period has already expired, a retrospective use of IFRS 2 is possible but not compulsory. ComBOTS will not make use of its right of election for the retrospective use of IFRS 2 for option programmes such as these either.

Options agreed to before November 7, 2002 will be used in accordance with APB 25, valued at the intrinsic value resulting from the difference between the market price and the price of exercising this option.

Realising Earnings

ComBOTS currently earns revenue with its web-telecommunications product Com.Win. Sales earnings are generated from ongoing monthly subscription fees and/or through the sale of telephone minutes. Sales by Com.Win continue to be made via the Internet portal WEB.DE by 1&1 Internet AG, Montabaur. Fifty per cent of the resulting proceeds are passed on to ComBOTS after 1&1 Internet AG has deducted its own expenses.

Until the sale of the portal segment with effect on September 30, 2005, the sales proceeds were earned essentially from online advertising (media sales), e-commerce transactions, digital services and web-telecommunications.

In online advertising (media sales), advertising space on the website was made available to customers. The sales proceeds were made from the number of fade-in advertisements or, if other criteria have been agreed to, based on these criteria.

The e-commerce transactions were payments that were usually invoiced to the customer for each successfully arranged transaction or in accordance with a similar service criterion. The proceeds from these sales were made based on actually arranged transactions or after the fulfilment of the agreed parameter of services.

The digital services were paid-for services performed for customers, such as the WEB.DE Club, the sending of text messages or entry in an online directory. The proceeds from the sales from digital services were made depending on the type of services performed.

Expenditure on Taxes

Actual Tax Liabilities

The actual tax liabilities for the current period and of earlier periods are valued at the amount expected by the tax authorities.

Deferred Taxes

ComBOTS shows income tax in accordance with IAS 12 "Income Tax" according to the liability method. Following this method, deferred taxes are determined according to the temporary difference between the IFRS and the tax-based valuation of assets and debts by means of the expected tax rates for those years in which the differences balance each other out as expected. Exceptions here are found in goodwill for whose first valuation no deferred tax is formed and for temporary differences in the valuation of holdings in associated companies if the company has the opportunity to control the reversing of these difference.

Claims for deferred taxes are recorded for all deductible temporary differences, as yet unused tax losses brought forward and as yet unused tax rebates to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the as yet unused tax losses brought forward and as yet unused tax rebates can be used.

Income taxes related to items recorded directly in shareholders' capital are recorded in shareholders' capital and not in the profit and loss statement.

Claims for deferred taxes and deferred tax liabilities are offset against each other if the group has an enforceable claim to the offsetting of the actual tax rebate claims against actual tax liabilities and these relate to income taxes of the same tax subject raised by the same tax authorities.

Result Per Share

The result per share is determined in accordance with IAS 33 “Result Per Share”. The undiluted result per share is calculated by dividing the results due to the shareholders by the weighted average number of shares in circulation during the year.

The diluted result per share is calculated by dividing the results due to the shareholders by the total of the weighted average number of the ordinary shares currently in circulation and the weighted average number of securities convertible to ordinary shares.

Events After the Balance Sheet Date

Events after the balance sheet date are to be included if they concern information about occurrences which was available on balance sheet date. If this is the case, the information concerned is to be updated based on the new information.

6. The Discontinued Portal Segment

In the current financial year the portal segment of the former WEB.DE AG (now ComBOTS AG) was sold to the United Internet group of companies.

Owing to the development of the portal market, the view of the company’s management was that it was necessary to initiate the next step in the development. Solely focusing on the German market, as WEB.DE had done up to that time, was regarded as being no longer practical against the background of the developments on the portal market. Several options for retaining the growth strategy were considered. For example, besides the recently entered into alliance, possible acquisition objectives and alternative partners to United Internet AG were investigated.

The decision to sell the portal business to United Internet AG was made essentially on the basis of two factors. One was the fact that, through its almost 10% holding in United Internet AG, ComBOTS continues to participate in the expected positive development of the portal WEB.DE and the expected positive synergies without bearing any operational risks. Secondly, ComBOTS received the necessary cash funds, and hence the necessary freedom of action, to pursue its aims in Personal Digital Communication in a focused manner. At the same time, as a result of the planned cooperative arrangements with United Internet AG, Germany’s biggest portal provider following the acquisition of WEB.DE’s portal business, a considerably larger customer base will open up for ComBOTS for the marketing of its products in future.

To carry out the transaction, the former WEB.DE AG and United Internet AG together with 1&1 Internet AG concluded three contracts:

(1) In an agreement for the purchase of assets (assets contribution agreement) WEB.DE AG undertook to transfer the portal business segment to 1&1 Internet AG. In return, WEB.DE AG was guaranteed 1,543,050 individual 1&1 Internet AG share certificates in its name and with no nominal value which were to be used for an ordinary increase in equity capital against a non-cash capital contribution and an additional cash payment of € 50 million by 1&1 Internet AG to the former WEB.DE.

(2) In an agreement for the purchase of a participating interest, WEB.DE AG sold all participating interests in WEB.DE Internet Service GmbH, WEB.DE Support GmbH and WEBTelecom GmbH to WEB.DE Beteiligungen GmbH, a wholly owned subsidiary of 1&1 Internet AG for payment of a cash purchase price of € 150 million.

(3) Finally, the former WEB.DE AG and United Internet AG have agreed in a contract on the contribution, exchange and sale of shares to and with 1&1 Internet AG that WEB.DE AG would transfer the new 1&1 shares immediately after their purchase to United Internet AG. In return for the transfer of the new 1&1 shares, the former WEB.DE AG received 5.8 million United Internet AG share certificates with no nominal value.

With the conclusion of the first agreement, all assets and debts of ComBOTS AG’s portal segment, including existing patents and proprietary rights and the employees of the portal segment were transferred to 1&1 Internet AG.

All three contracts were concluded under suspensive conditions such as the agreement of the German Cartel Office, the respective supervisory boards, Annual General Meetings and the settling of any legal disputes.
All conditions were fulfilled on October 14, 2005 so that the agreements became legally valid on October 31, 2005.

According to the contract, on the economic transfer date of September 30, 2005 a statement of expense allocation was prepared in accordance with the first contract in order to accrue outstanding payables and offsetting liabilities between ComBOTS and the United Internet company group. Payables and liabilities for which performance had been received or made respectively before September 30, 2005, are to be charged to ComBOTS here and all others to the purchaser. A compensatory payment was agreed for the transferred payables and liabilities.

The transfer of shares in the second contract was also carried out on October 31, 2005 and here, too, a compensatory payment was agreed such that all companies will be sold "cash and debt-free".

The amount of these compensatory payments affects the purchase price and thus the profit from the sale of the company.

ComBOTS AG: DISCONTINUED BUSINESS SEGMENT in T. €

	2005	2004
SALES REVENUES	41,225	42,275
COST OF SALES	–9,179	–10,793
SALES EXPENSES	–9,795	–12,563
ADMINISTRATION EXPENSES	–2,052	–1,222
RESEARCH AND DEVELOPMENT	–10,319	–11,961
SEGMENT RESULT BEFORE TAXES	**9,880**	**5,736**
TAX EXPENDITURE	–3,853	0
SEGMENT RESULT AFTER TAXES	**6,027**	**5,736**
RESULT OF DISPOSAL	314,626	0
TAX EXPENDITURE	–34,718	0
RESULT FROM DISCONTINUED SEGMENT ACCORDING TO PROFIT & LOSS ACCOUNT	**285,935**	**5,736**
NO. OF OUTSTANDING SHARES		
/ undiluted		36,030,112
/ diluted	36,617,800	36,621,695
EFFECT ON THE RESULT PER SHARE AS A RESULT OF CURRENT BUSINESS ACTIVITIES		
/ undiluted	0.17	0.16
/ diluted	0.16	0.16
EFFECT ON THE RESULT PER SHARE AS A RESULT OF THE DISPOSAL		
/ undiluted	9.74	0.00
/ diluted	9.54	0.00
EFFECT ON THE RESULT PER SHARE – TOTAL		
/ undiluted	9.91	0.16
/ diluted	9.70	0.16
NET CASH FLOW FROM DISCONTINUED SEGMENT FROM OPERATIONAL ACTIVITIES	13,901	19,889
NET CASH FLOW FROM DISCONTINUED SEGMENT FROM INVESTMENT ACTIVITIES	149,310	–5,894
NET CASH FLOW FROM DISCONTINUED SEGMENT FROM FINANCING ACTIVITIES	0	0

7. Supplementary Information on the Consolidated Cash Flow Statement

In accordance with IAS 7 “Cash Flow Statements”, the cash flow statement is subdivided separately according to inflows and outflows to and from current business activities, investment activities and financing activities. The cash flow is determined according to the indirect method from the ComBOTS consolidated financial statements.

In this financial year ComBOTS paid T€ 20,463 in taxes (previous year: T€ 1,526) and T€ 640 in interest (previous year: T€ 640). The taxes were capital gains tax, corporate tax and German reunification tax. In 2005 income from interest was T€ 5,390 (previous year: T€ 4,300).

Group cash resources are broken down as follows:

GROUP CASH RESOURCES in T. €

	2005	2004
CURRENT ACCOUNTS	4,357	4,662
TIME DEPOSIT ACCOUNTS	60,000	0
FIXED-TERM DEPOSIT ACCOUNTS	86,400	12,851
TOTAL CASH RESOURCES	150,757	17,513

In accordance with IAS 7, all short-term financial investments are to be classified as cash resources along with cash and on-call deposits whose terms do not exceed three months when the contract is concluded. This corresponds to the balance sheet value of the cash resources.

When concluded, the fixed-term investment and time deposit accounts shown had terms of one to seven weeks. The cash inflow from the discontinued business segment comes from the disposal of the portal segment:

SALE OF THE PORTAL SEGMENT in T. €

	2005
TOTAL SALE PRICE	354,280
INCL. PURCHASE PRICE AS CASH COMPONENTS	200,000
RETAINED FOR ASSUMING LIABILITIES	–13,500
TRANSACTION AND MIGRATION COSTS	–14,177
TAX PAYMENTS	–19,248
CASH INFLOW FROM DISPOSAL OF PORTAL SEGMENT	153,075

8. Supplementary Information on the Balance Sheet

The comparative figures made available from the previous financial year and which are shown in the balance sheet contain WEB.DE AG's discontinued portal segment.
The alterations in the financial year result essentially from this transaction.

With the exception of the monies owed to the bank from the property leasing company, the payables and liabilities shown in the balance sheet have a remaining term of less than one year. The other assets include payables with a remaining term of between one and five years worth T€ 371 (previous year: T€ 705). The other assets essentially concern VAT demands of T€ 6,132. The tax refund claims concern corporate tax totalling T€ 1,670 (previous year T€ 2,900).

The expense from allocations from adjustments to accounts receivable total T€ 2,988 (previous year: T€ 3,379).

There are no accounts receivable against members of the Executive Board. Loans to employees total T€ 156 (previous year: T€ 566). As in the previous financial year, these were shown under Other Assets.

The active accruals and deferrals contain invoices for insurance and software maintenance which have already been paid.

9. Business Interests in Associated Companies

Informia AG is an associated company of ComBOTS, which holds 49% of its shares. The valuation is made in accordance with the regulations of IAS 28 "Shares in Associated Companies" according to the equity method.

The "at equity" valuation of Informia AG has developed as follows:

EQUITY VALUATION in T. €

	at equity
SHAREHOLDERS' CAPITAL IN INFORMIA AG DEC. 31, 2003	581
ComBOTS SHARE: 49% ON DEC. 31, 2003	285
INFORMIA AG RESULT 2004	270
SHAREHOLDERS' CAPITAL IN INFORMIA AG AS AT DEC. 31, 2004	851
ComBOTS SHARE: 49% ON DEC. 31, 2004	417
INFORMIA AG RESULT 2005	–173
SHAREHOLDERS' CAPITAL IN INFORMIA AG DEC. 31, 2005	678
ComBOTS SHARE: 49% ON DEC. 31, 2005	332
BOOK VALUE OF SHARES AS AT DEC. 31, 2004	417
BOOK VALUE OF SHARES AS AT DEC. 31, 2005	332
AT-EQUITY RESULT 2005	**–85**

The key financial data of Informia AG is shown in the following table:

KEY FINANCIAL FIGURES INFORMIA AG in T. €

Accounting Value	Dec. 31, 2005
FIXED ASSETS	0
CURRENT ASSETS	1,037
SHORT-TERM DEBT	359
LONG-TERM DEBT	0
REVENUE FROM SALES	0
RESULT	–173

10. Securities

The following summary shows the development of the securities:

ComBOTS AG: DEVELOPMENT OF SECURITIES in T. €

	AVAILABLE FOR SALE			HELD TO MATURITY	TOTAL
	Purchase Price	Market Price	Not Yet Realised Profits/Losses		
2004					
VALUE OF BONDS < 1 YEAR	0	0	0	13,604	13,604
VALUE OF BONDS > 1 YEAR	13,848	14,747	722	63,124	77,871
	13,848	**14,747**	**722**	**76,728**	**91,475**
2005					
VALUE OF BONDS < 1 YEAR	27,280	26,645	–635	13,680	40,325
VALUE OF BONDS > 1 YEAR	0	0	0	59,911	59,911
SHARES IN UNITED INTERNET	154,280	188,036	33,756	0	188,036
	181,560	**214,681**	**33,121**	**73,591**	**288,272**

The shares in United Internet AG total 5,800,000 registered shares from the disposal of the portal segment with an acquisition value of € 26.60 per share and a market price of € 32.42 per share at balance sheet date. The acquisition value corresponds to the share price (Xetra) of the shares at the time of completion on 31 October 2005, the market price corresponds to the share price (Xetra) as at balance sheet date.

The market price of the held-to-maturity securities as at balance sheet date was T€ 70,821 (previous year: T€ 77,509). The respective market values were determined from the share market prices as at balance sheet date. In this financial year T€ 392 were realised from the sale of available- for-sale securities as an expense (previous year: proceeds of T€ 860).
In addition, income and dividend income of T€ 4,371 (previous year: T€ 3,550) were gained.

Besides the shares resulting from the sale of the portal business to United Internet AG, the shares are essentially fixed-interest bonds with an average remaining term of about 4 years.

The classification of the securities according to IAS 39 takes place when first reported. There are no set classification criteria and classification decisions are made on a case-by-case basis when the securities are acquired. The shares in United Internet AG acquired in the year under review were classified as “available for sale”.

The holdings in United Internet AG are subject to the usual share market price risk. There are no further risks.

The essential risk resulting from the financial instruments consists of interest-related fair value risks and there are no default risks, foreign exchange risks, liquidity risks or cash flow risks. As the remaining available-for-sale and held-to-maturity securities are essentially securities with similar basic features, the risks connected with them are also similar. Essentially these are fixed interest securities. In the case of these securities, ComBOTS is exposed to the risk of an alteration in their fair value by changes to the level of interest. Rising interest rates lead to a reduction in their market value and falling interest rates are accompanied by an increase. The term of the securities, and with it the term of the fixed-interest period, is an indicator for a more precise description of the interest rate risks of the securities. The following table summarises the remaining term of the securities and their respective conditions for held-to-maturity and available-for-sale securities.

HELD-TO-MATURITY-/AVAILABLE-FOR-SALE-SECURITIES in T. €

“held to maturity“ REMAINING TERM	Book Value	Interest Rate
< 1 YEAR	13,680	3.50% – 6.38%
1 TO 2 YEARS	8,101	4.63% – 5.50%
2 TO 3 YEARS	3,040	3.00% – 4.75%
3 TO 4 YEARS	13,640	3.50% – 5.02%
4 TO 5 YEARS	1,966	2.50% – 5.75%
> 5 YEARS	33,164	4.00% – 7.00%
TOTAL	**73,591**	
“available for sale“ REMAINING TERM		
< 1 YEAR	4,090	3.75% – 6.15%
1 TO 2 YEARS	0	
2 TO 3 YEARS	5,383	3.50% – 6.00%
3 TO 4 YEARS	0	
4 TO 5 YEARS	6,392	4.20% – 4.75%
> 5 YEARS	10,780	2.38% – 6.66%
TOTAL	**26,645**	

The issuers of the securities held are essentially European banks such as the UBS, the Dresdner Bank or Landesbank Baden-Württemberg and other internationally recognised companies such as Siemens, Volkswagen, Aventis or RWE. In all cases the issuers are companies of at least good creditworthiness, but under certain circumstances a loss of the entire amount might be possible. However, through a careful choice of issuer this risk is unlikely.

Owing to a negligible risk potential of the securities, no hedging transactions are conducted. In selecting the securities, by means of a regional distribution and a distribution relating to the sector the issuer operates in an effort has been made to avoid a concentration of risks. Neither is there a significant concentration of losses due to distribution.

From the short-term accounts receivable and other financial assets of the Group that cover cash and cash equivalents, there is a maximum risk of loss to the value of the book value of the corresponding instrument if the contracting party should suffer a financial loss.

11. Market Values of Financial Receivables and Liabilities

Financial receivables and liabilities whose book value was approximate to that of their market value cover cash and cash equivalents, short-term financial investments, financial receivables and liabilities from the sale of goods or services and other short-term assets and liabilities. The market value of financial receivables and liabilities, for which stock exchange prices exist, correspond to these prices.

The book value of loans correspond to their market values.

12. Tangible Assets

In the area of tangible assets, various assets were amortised “off-schedule” in the financial year as part of the sale of the portal segment (a so-called “triggering event”). An impairment test of the assets affected was carried out according to IAS 36. The book value of an asset is compared with its achievable revenue and, if it is under value, amortised at this value. The recoverable amount results in turn as the higher amount of the sales price less cost of sales and utility value.

The following table gives a summary of the off-schedule amortisations:

OFF-SCHEDULE AMORTISATIONS in T. €

AIR CONDITIONING SYSTEM	1,868
IMPROVEMENTS BY TENANT TO OFFICE BUILDING	1,604
DATA CENTRES	1,009
OTHER ASSETS	231
TOTAL	**4,712**

The off-schedule amortisations affect assets which, while still used by ComBOTS, nevertheless considerably exceed the capacity it requires. The amortisations were carried out on the basis of the current and planned use of the building's space and use of capacity as well as from the point of view of the allocation of assets in the reporting on the segment. In particular, the assets previously allocatable to the Internet portal segment were amortised off-schedule accordingly. Essentially these were data centres, the appurtenant air conditioning system and various installations and improvements to the company's building.

Due to the inherent nature of the assets, there was no resulting sales price less the utility value that exceeded the costs of sales, which would have had to be set against the book value in determining the requirement for amortisation.

In the above-mentioned off-schedule amortisations to the improvements carried out by the tenant, a loss-of-utility test was carried out in respect of the land and building. As the proceeds from the sale less the cost of sale considerably exceed the book value of the land and building, there was no resulting requirement for amortisation.

Besides the off-schedule amortisations, write-offs of assets worth T€ 520 were also carried out in the financial year. These were a large number of individual asset which, due to a technical change of generation, were no longer useable and were scrapped.

13. Intangible Assets

The Intangible Assets essentially consist of software, licences or patents acquired by purchase. The development of the Intangible Assets can be seen in the fixed assets investment schedule as part of these notes.

Licences and other Intangible Assets are depreciated on a straight line basis.

The goodwill 2004 valued at T€ 6.749 was subjected to an impairment test according to the regulations of IAS 36. The entire goodwill was allocated to the CGU "Portal business", which corresponds to the "WEB.DE Portal" segment in the report on segments.

The recoverable amount of the CGU was determined as net sales value, but the declaration of intent made by United Internet AG on the acquisition of the entire portal segment and hence the CGU – which had to be tested – was used as the basis for its determination.

The above declaration was made in early 2005, but was used to carry out the impairment test as a value-increasing event after the balance sheet date for confirming the valuation of goodwill as of the balance sheet date of December 31, 2004. The purchase price aimed at for the portal segment (€ 200 million in cash plus 5.8 million shares in United Internet AG) less expected cost of disposal, was considerably more than its book value, so that a requirement for amortisation could not be confirmed. In the year under review this goodwill disappeared entirely as a result of the disposal of the portal segment, so that a further impairment test did not have to be carried out.

14. Provisions

The development of the accruals can be seen in the table below:

DEVELOPMENT OF PROVISIONS in T. €

Position	As at Jan. 1, 2005	Use	Allocation	As at Dec. 31, 2005
PROVISIONS FOR TAXES	13	–13	18,095	18,095
OTHER	641	–157	1,779	2,263
PROVISIONS	654	–170	19,874	20,358

The reported accruals are exclusively accruals with a term of up to one year.

Provisions for taxes were formed exclusively for trade tax obligations.

The other provisions are essentially for uncertain liabilities and risks in legal disputes.

15. Due to Banks From the Property Leasing Company

To finance the purchase of land and office buildings, two long-term maturity-certain loans were taken out with Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG over the last two years. The first loan, at a nominal amount of T€ 9,050, was at 5.7% interest with the interest rate being fixed till 2011. The second loan, with an interest rate of 4.65%, is also fixed till 2011 and is T€ 2,300. All liabilities have a remaining term of more than five years. In addition, there are long-term liabilities against the LBBW (Baden-Württemberg State Bank) to cover current liquidity requirements of the property company. The land and the office building serve as security for both loans with a collateral value of T€ 14,112.

16. Shareholders' Capital

The company's fully paid-up nominal capital was worth T€ 38,362 as of December 31, 2005 (2004: T€ 38,203) and is divided into 38,361,230 (2004: 38,203.286) individual nominal shares with no nominal amount.

In accordance with the motion passed by the Annual General Meeting on January 11, 2000, the Executive Board was authorised – with the consent of the Supervisory Board – to increase the company's nominal capital once in the period to December 31, 2004 or several times by up to €16,875,000 by issuing new ordinary shares against cash investments or contributions in kind (approved capital I).

On this basis the nominal capital was increased on June 6, 2000 by € 476,768 and again on September 4, 2000 by € 222,051, each by contributions in kind. Authorised Capital I was then worth € 16,176,181. With the decision of the Annual General Meeting on July 17, 2003, Authorised Capital I was reduced to € 15,250,000. The authorisation in respect of the authorised capital will in future run to July 17, 2008.

The Executive Board was also authorised by a resolution of the Annual General Meeting on July 17, 2003 and agreed to by the Supervisory Board, to increase the company's nominal capital once in the period to July 17, 2008 once or several times by up to € 3,800,000 by the issue of new ordinary shares against cash contributions (Authorised Capital II). Use of Authorised Capital II by December 31, 2005 was not made.

In accordance with the resolution passed by the Annual General Meeting on July 17, 2003, the equity capital was increased conditionally by up to € 3,000,000 through the issue of up to € 3,000,000 new ordinary shares (Conditional Capital I). The conditional increase in capital will be used to issue option rights and will only be carried out to the extent that the holders of option rights care to use them.

Owing to the corresponding exercising of employee share options, a total of 157,944 preemptive shares were issued to employees in 2005 (2004: 4,467), thereby nominally increasing equity capital by € 157,944 (2004: € 4,467). The T€ 548 (2004: T€ 17) in extra funds obtained with the issue of the new shares was put into the capital reserves. The notice of the issued new shares to the Commercial Register was carried out in accordance with Section 201 para 1 of the German Stock Corporation Act (AktG) on January 19, 2006.

With the resolution by the Annual General Meeting on July 17, 2003, the Executive Board was authorised to float negotiable or convertible bonds to a total nominal value of up to € 640,000,000 with a term of up to 20 years. The issue of bonds can also be carried out against contributions in kind. These have not been issued to date.

In accordance with the resolution by the Annual General Meeting on July 17, 2003, equity capital will be increased conditionally by another € 16,000,000 by the issue of up to 16,000,000 new registered shares with participating rights as from the beginning of the financial year of their issue (Conditional Capital II). The conditional capital increase will be used to give shares to the holders or creditors of negotiable or convertible bond subscriptions which, according to the above authorisation, can be floated by the company up to July 17, 2008 or by a subordinate Group company if the issue is for cash. No use has been made of this authorisation to date.

With the resolution by the Annual General Meeting on July 6 and 7, 2005, the conversion from former bearer shares to registered shares was initiated. The conversion was completed by December 22, 2005. The changing of the legal name of the parent company from "WEB.DE AG" to "Combots AG" was also resolved.

At the Annual General Meeting on July 6 and 7, 2005, as in 2004 the Executive Board was authorised to acquire up to 3,800,00 shares of the company, but no more than a total of 10% of the equivalent value of the company's equity capital.

On the basis of this authorisation, as of December 31, 2005 the company and its subsidiaries have 2,505,934 of treasury stock (2004: 2,173,174), which was acquired for T€ 16,175 (2004: T€ 13,003). The shares were not called in.

To date the company has not paid out any dividends. The basis of the pay-out of dividends is the financial statements of ComBOTS AG in accordance with the German Commercial Code (HGB.).

17. Share-Based Remuneration

ComBOTS has the opportunity of issuing company employees and employees and members of the management of affiliated companies with up to 3,000,000 rights to subscribe to ComBOTS shares. Each subscription right entitles the bearer to one ComBOTS share. ComBOTS has a share options plan for its employees. Based on this plan, share options are issued to all permanent employees. As of December 31, 2005, ComBOTS had issued 1,718,625 shares (2004: 1,683,720) to its employees and management and subsidiaries. This option may only be exercised if ComBOTS shares have risen in value once by at least 10% since issue.

The option price is determined by the price of ComBOTS shares on the share market at the time the option is allocated, plus a premium of 10%. A third each of these options may be exercised after the second, third and fourth year of employment on the third and fourth trading day up to the twentieth trading day after the full Annual General Meeting or after the announcement of a quarterly or half-yearly report. If all options were exercised, this would lead to the exploitation of conditional capital worth T€ 1,719 (2004: T€ 1.684). The options lapse after a maximum of ten years after issue.

Employees always lose their subscription rights to the share options if they leave the company within the qualifying period. As part of the transfer of the portal segment and the employees involved to 1&1 Internet AG, a special agreement was drawn up which stipulated that the issued options would only lapse if and to the extent that the employees at 1&1 Internet AG affected leave this company within the qualifying period. Through the takeover of the employees by 1&1 Internet AG, in future ComBOTS will not receive any payments for the not-yet exercised options. In accordance with IFRS 2, it may be assumed that all payments for the retention of employees have already been made and that the agreement on the con-tinued validity of the options may be regarded as compensation for the employees so taken over. The not-yet reported expense arising from the options issued up to this point, independent of the remaining period to exercising of the options, is to be reported and put into capital reserves.

The following table summarises the information on remaining terms and exercise prices of all the company's share options as of December 31, 2005:

TIME TO MATURITY AND OPTION PRICES in T. €

	Outstanding options: Dec. 31, 2004	Issued options	Exercised options	Expired options	Outstanding options Dec. 31, 2005	Weighted average exercise price of outstanding options (in EUR)	No. of exercisable options	Weighted average time to maturity (in years)
TRANCHE 1–3	375,766				375,766	27.57	375,766	0.00
TRANCHE 4–8	315,521		–10,995	–4,298	300,228	9.04	300,228	0.00
TRANCHE 9–10	117,596		–11,595	–2,534	103,467	5.18	103,467	0.00
TRANCHE 11–14	519,004		–125,928	–18,982	374,094	5.38	249,396	0.15
TRANCHE 15–17	124,333		–6,328	–2,336	115,669	5.92	77,113	0.32
TRANCHE 18–23	111,000		–3,098	–11,001	96,901	8.21	32,300	0.74
TRANCHE 24–27	120,500			–10,000	110,500	8.44	0	1.54
TRANCHE 28–35		255,000		–13,000	242,000	8.92	0	2.25
TOTAL	**1,683,720**	**255,000**	**–157.944**	**–62,151**	**1,718,625**		**1,138,270**	
Weighted average exercise price per category	11.45	8.92	5.70	7.38	11.75		13.77	

The following table summarises the information on remaining time to maturity and exercise prices of the company's issued share options of the remaining employees at ComBOTS as of December 31, 2005

TIME TO MATURITY AND OPTION PRICES in T. €

	Outstanding options: Dec. 31, 2004	Issued options	Exercised options	Expired options	Outstanding options Dec. 31, 2005	Weighted average exercise price of outstanding options (in EUR)	No. of exercisable options	Weighted average time to maturity (in years)
TRANCHE 1–3	229,177				229,177	27.57	229,177	0.00
TRANCHE 4–8	71,104		–2,199	–860	68,046	9.04	68,046	0.00
TRANCHE 9–10	92,663		–2,319	–507	89,837	5.18	89,837	0.00
TRANCHE 11–14	286,657		–41,198	–3,317	242,142	5.38	161,428	0.15
TRANCHE 15–17	24,867		–1,266	–467	23,134	5.92	15,423	0.32
TRANCHE 18–23	30,200		–620	–2,200	27,380	8.21	9,127	0.74
TRANCHE 24–27	24,300			–2,200	22,100	8.44	0	1.54
TRANCHE 28–35		155,000		–2,600	152,400	8.92	0	2.25
TOTAL	**758,968**	**155,000**	**–47,601**	**–12,151**	**854,216**		**573,037**	
Weighted average exercise price per category	12.63	8.92	5.59	7.48	12.42		14.72	

The company uses IFRS 2 “Share-Based Remuneration” and APB 25 ”Accounting for Stocks issued to Employees” for reporting the share option programme. In accordance with IFRS 2 share options are valued at their fair value when issued. As there is no active market for these options from which fair value may be deduced, the determination of this fair value is made using the Black-Scholes model for valuing options. The weighted average market value of the options issued during the financial year was € 2.02 per share (2004: € 2.65). The market value of the options is estimated on the day of issue with the help of the Black-Scholes model, but in 2005, were based on no-risk interest rates of 2.0% to 3.0% (2004: 2.3% to 3.35%), an estimated time to maturity of three years (2004: 3 years), an estimated dividend of zero per cent (2004: zero per cent), an average future fluctuation of 10% (2004: 10%) and an estimated volatility of 38.7% (2004: 35%) were assumed on the basis of past experience. For share options, for which APB 25 is used as a matter of principle, there was no valuation on closing day because the stock exchange price was constantly under the agreed exercise price. The total expense reported for share options in the current financial year was T€ 661 (2004: T€ 194).
Of this, T€ 120 go to the continued segment and T€ 541 go to the discontinued segment. In the current financial year 157,944 (2004: 4,467) options were exercised by their holders. The average exercise price was € 5.69 (2004: € 4.80).

18. Supplementary Information on the Profit and Loss Statement

The general administration costs total T€ 3,983 (2004: T€ 1,558) and essentially contain staff costs for the employees of administrative areas together with legal and consulting expenses.

In the year under review, costs for research and development of T€ 13,146 (2004: T€ 7,689) were reported as an expense. Income from interest includes realised interest from securities held and realised profits from the sale of available-for-sale securities. Interest paid relates to monies due to banks from the financing of the property leasing company. ComBOTS receives interest payments from the fixed-interest securities. The reporting of this interest is carried out for each period, i.e. interest which has expired by the closing day is realised, even when the payment of the interest takes place at a later date.

Income tax for the period is made up as follows:

INCOME TAX FOR THE PERIOD in T. €

	2005	2004
ACTUAL INCOME TAX		
/ actual income tax	38,571	0
// including that reported in the discontinued segment	–38,571	0
DEFERRED INCOME TAX		
/ reporting of changes in value from the sale of securities held with no significance for the result	–614	0
TAX PAID SHOWN IN THE CONSOLIDATED PROFIT AND LOSS STATEMENT	**–614**	**0**

The annual profit before taxes originates exclusively from business activities in the Federal Republic of Germany. For calculating deferred taxes a corporate tax rate of 25% is used. In addition, the corporate tax is subject to 5.5% German Reunification Tax.

ComBOTS is also subject to the local trade tax, which is deductible for the purposes of determining corporate tax. The following table shows a transitional calculation of income tax based on a combined income tax rate of 39%.

TRANSITIONAL CALCULATION OF INCOME TAXES in T. €

	2005	2004
ANNUAL PROFIT / LOSS	273,125	–3,255
RESULT FROM DISCONTINUED SEGMENT	–285,935	–5,736
PROCEEDS FROM TAXES	–614	0
RESULT FROM CONTINUED SEGMENT BEFORE TAXES	–13,424	–8,991
EXPECTED PROCEEDS FROM TAXES	5,235	3,506
EFFECT OF THE OFFSETTING OF TAX LOSSES FROM THE DISCONTINUED SEGMENT WITH THE PROFITS FROM THE PORTAL SEGMENT	–4,543	0
EFFECT OF THE NON-VALUING OF ACTIVE DEFERRED TAXES ON TAX-LOSSES CARRIED FORWARD	0	–1,978
NON-DEDUCTIBLE EXPENSES	–31	–31
TAX-FREE INCOME	0	154
NON-DEDUCTIBLE AMORTISATIONS OF BUSINESS HOLDINGS FOR TAX PURPOSES	0	–1,576
PERMANENT DIFFERENCES FROM SHARE OPTIONS	–47	–76
REPORTED INCOME FROM TAX	**614**	**0**

As of December 31, 2004 there were trade and corporate tax loss carry-overs of € 76.2 million and € 79.9 million respectively. As a result of the disposal of the portal segment in the year under review, these losses were used up completely.

The tax losses brought forward this financial year are trade tax losses from last financial year. There are no corporate tax losses that can be carried forward. The deferred taxes are as follows on balance sheet date:

TRANSITIONAL CALCULATION OF INCOME TAXES in T. €

	2005	2004
ACTIVE DEFERRED TAXES		
/ from losses carried forward	656	76
/ from provisions	0	112
/ Other	0	4
TOTAL ACTIVE DEFERRED TAXES	**656**	**192**
OFF-SET ACTIVE AND PASSIVE DEFERRED TAXES	–656	–192
TOTAL ACTIVE DEFERRED TAXES	**0**	**0**
PASSIVE DEFERRED TAXES		
/ from available-for-sale securities	614	0
/ from Intangible Assets	0	178
/ from treasury stock	6	6
/ from business interests	6	8
/ Other	30	0
OFF-SET ACTIVE AND PASSIVE DEFERRED TAXES	–656	–192
TOTAL PASSIVE DEFERRED TAXES	**0**	**0**
CHANGES TO SHAREHOLDER CAPITAL HAVING NO EFFECT ON THE RESULT FOR THE PERIOD	–614	0
REPORTED INCOME FROM TAXES	**614**	**0**

As of December 31, 2005 there were tax demands of T€ 1,670 (2004: T€ 2,900) from corporate tax.

For a description of the result from the sale of the portal segment to United Internet AG, we refer you to the information in Chapter 6. Deferred taxes of T€ 614 were formed directly in shareholders' equity on temporary differences from unrealised profits from securities held for sale reported as having no effect on the result for the current period.

19. Contingent Liabilities and Other Financial Liabilities

In the course of its ordinary business activities the company may become involved in legal disputes, damages claims, preliminary investigations and legal proceedings including product liability and commercial disputes.
As of December 31, 2005 it is the company's view and that of its legal advisors that there were no such material matters concerning the company's business, its financial situation or its operational result.

The Group's member companies have rental and leasing agreements for various facilities and motor vehicles. These agreements have resulted in annual payment in the following years:

ANNUAL PAYMENTS in T. €

2006	927
2007	120
2008	75
2009	18
2010 AND LATER	0
TOTAL	**1,140**

The expenses for Operating Leasing in the 2005 financial year were T€ 837 (2004: T€ 1,018). The time to maturity for leased vehicles is between 1 and 4 years.

There are further contingent liabilities resulting from the sales agreement with 1&1 Internet AG. There are liability relationships resulting from the sale of the portal segment with 1&1 Internet AG as the purchaser of the portal segment. To complete the sale, two agreements were concluded with 1&1 Internet AG which have given rise to guarantees. In both agreements the guarantees in the German Civil Code (BGB) in respect of the inherent nature of products were suspended and replaced by individual guarantee agreements. In these guarantees ComBOTS essentially guarantees that the purchaser is the legal owner of all assets, patents and licences sold, guarantees the completeness of the assets, patents and licences transferred, the ability of the software to function and the completeness and correctness of the documentation provided to the purchaser, in particular in respect of the existing agreements and the obligations resulting therefrom and in respect of the customer base sold with the portal WEB.DE.

The maximum limit of liability for ComBOTS was agreed at a cumulative 100 million euros. The guarantee deadlines were fixed at 18 months in the agreements; only in respect of the legal relationships of the companies sold was a guarantee of five years given. The claims of the purchaser for fulfilment of the main obligation to perform, in particular the obligations on the claim to ownership and the transfer and the ancillary performance and release obligations expressly covered in the agreement are not subject to the above-mentioned maximum liability limit. The same applies to certain secondary claims; these are subject to a maximum liability limit of € 300 million.

A non-competition clause was also agreed in which ComBOTS may not operate an Internet portal in the German-speaking regions of Europe or hold more than a one per cent interest in such a company and/or the operation of a German-speaking web-based e-mail service for two years after the conclusion of the agreement. However, the sale of the Com. Win product or a similar product explicitly does not come under this non-competition clause. Should ComBOTS breach this non-competition clause, it will also be subject to a financial penalty of € 100 million.

Any actual obligation to make a payment from the guarantees or the non-competition clause is not expected at present.

As of the balance sheet date there are no contingency claims.

20. Result per Share

The number of outstanding shares developed as follows during the financial year:

NUMBER OF SHARES in T. €

	2005	2004
TOTAL NUMBER OF INDIVIDUAL SHARE CERTIFICATES AT THE BEGINNING OF THE FINANCIAL YEAR	38,203,286	38,198,819
TREASURY STOCK AT THE BEGINNING OF THE FINANCIAL YEAR	2,173,174	2,000,864
OUTSTANDING SHARES AT THE BEGINNING OF THE FINANCIAL YEAR	36,030,112	36,197,955
TREASURY STOCK PURCHASED DURING THE FINANCIAL YEAR BY AUTHORISATION OF THE ANNUAL GENERAL MEETING	332,760	172,310
SHARES ISSUED TO EMPLOYEES THROUGH EXERCISING SHARE OPTIONS	157,944	4,467
OUTSTANDING SHARES AT THE END OF THE FINANCIAL YEAR	35,855,296	36,030,112
POTENTIAL ORDINARY SHARES DUE TO THE SHARE OPTION PROGRAMME	762,504	591,583
DILUTED NUMBER OF OUTSTANDING SHARES	36,617,800	36,621,695

A description of the effects of the sale of the Internet portal segment can be found under Chapter 6.

In accordance with IAS 33 the effects of potential holdings are to be taken into account in order to determine the diluted result per share. For this purpose it is assumed that all exercisable options, whose exercise price is under the average share price in the current period, will actually be exercised.

Had all options fulfilling these conditions been exercised in the current period, the number of the outstanding shares would have increased by 762,504.

21. Information by Regions, Segments and on Major Clients

As a result of the sale of the portal segment in this financial year, ComBOTS consists solely of one segment which is subject to reporting requirements.

ComBOTS now offers only one product, which is offered for sale via one sales channel to one customer group in one region. Last financial year, the continued segment corresponded to the web-telecommunications segment. The WEB.DE portal segment, which was reported on fully in 2004, was sold in its entirety.

The primary segmentation was carried out in 2004 using the internal reporting structure, which distinguished between the now sold portal segment and web-telecommunications (now: Personal Digital Communication) and which has remained with ComBOTS. The opportunities and risks that ComBOTS was exposed to differ between both segments.

Within the segments, the opportunities and risks were identical to a large extent. The neutral items contain the cash, the securities and the long-term liabilities resulting from financing.

In 2004 the segments were structured as follows:

SEGMENTS in T. €

	WEB.DE Portal 2004	Web-Telecommunications 2004	Neutral Items 2004	Group 2004
SALES REVENUES	42,275	690	0	42,965
AMORTISATION	6,685	580	0	7,265
EBIT (OPERATING RESULT)	5,396	–8,951	0	–3,555
EBITDA	13,091	–9,381	0	3,710
SEGMENT ASSETS	40,088	4,419	108,988	153,495
SEGMENT DEBTS	17,397	1,306	12,162	30,865
INVESTMENTS	7,847	1,085	0	8,932

The division of the segments into the continued and discontinued area of business is shown as follows:

SEGMENTS in T. €

	Discontinued area of business 2004	Continued area of business 2004	Neutral items 2004	Group 2004
SALES REVENUES	42,275	690	0	42,965
AMORTISATION	6,301	964	0	7,265
EBIT (OPERATING RESULT)	5,736	–9,291	0	–3,555
EBITDA	13,047	–9,337	0	3,710
SEGMENT ASSETS	25,268	19,239	108,988	153,495
SEGMENT DEBTS	17,595	1,108	12,162	30,865
INVESTMENTS	7,847	1,085	0	8,932

The only difference to the description from last year is the allocation of land and building, including the resulting expenses. In 2004 these were divided up between the portal and telecommunications segments.

However, land and building remained with ComBOTS and are therefore to be assigned to the continued segment.

For the 2005 financial year only one segment and, similar to 2004, only one neutral item are reported on. In addition, individual items of the financial statements are shown in the following table, which can be assigned to the discontinued segment:

SEGMENTS in T. €

	Personal Digital Communication 2005	Neutral items 2005	Group 2005
SALES REVENUES	616	0	616
AMORTISATION	6,734	0	6,734
EBIT (OPERATING RESULT)	–17,285	0	–17,285
EBITDA	–10,551	0	–10,551
SEGMENT ASSETS	35,969	439,029	474,998
SEGMENT DEBTS	17,427	12,269	29,696
INVESTMENTS	13,432	0	13,432

For reasons of transparency and in order to be able to make the transition to the consolidated figures, the Personal Digital Communication segment described above contains individual items in the discontinued segment:

* The amortisations contain T€ 4,712 which are included in the profit and loss statement in the result from discontinued segments and are explained in more detail in Chapter 12.
* The segment assets and the segment debts contain T€ 5,726 and T€ 9,356 respectively, which do not affect the discontinued segment. These are as yet unpaid receivables and liabilities and provisions respectively which are to be allocated to the portal area and which result from its sale.
* Of the investments, T€ 4,212 affected the discontinued segment, which were made in the period up to the sale of the portal segment.

In the 2005 financial year the discontinued segment earned sales revenues of T€ 41,225, amortisations of T€ 4,712, an operational result (EBIT) of T€ 9,880 and an EBITDA of T€ 14,592.

As in 2004, a geographical allocation was dispensed with, as all assets and debts are situated in Germany.

The allocation of income from sales by region in which the customers were based is subdivided as follows:

REGIONS in T. €

	2005	2004	2003
GERMANY	616	38,439	30,130
ABROAD	0	4,526	2,694
INVESTMENTS	**616**	**42,965**	**32,824**

In the 2005 and 2004 financial years ComBOTS did not transact any more than 10% of its sales with any one customer. A transition of the valuations from the segment reporting to the balance sheet valuations can be seen in the following table:

TRANSITIONAL CALCULATION OF INCOME TAXES in T. €

	2005	2004
ASSETS ACCORDING TO SEGMENT REPORT	474,998	153,495
/ + Tax demands	1,670	2,900
ASSETS ACCORDING TO CONSOLIDATED BALANCE SHEET	**476,668**	**156,395**
DEBTS ACCORDING TO SEGMENT REPORT	29,696	30,865
/ + Tax provisions	18,095	13
DEBTS ACCORDING TO CONSOLIDATED BALANCE SHEET	**47,791**	**30,878**
EBIT ACCORDING TO SEGMENT REPORT	–17,285	–3.555
/ + Interest earned	4,586	4,709
/ – Interest paid	–640	–640
/ + Result from associated companies	–85	132
/ – Result from other investments	0	–3,901
/ + Result from discontinued segment	285,935	0
/ + Proceeds from taxes	614	0
ANNUAL PROFIT / LOSS ACCORDING TO CONSOLIDATED PROFIT & LOSS STATEMENT	**273,125**	**–3,255**

22. First Use of IFRS

In the 2005 financial year ComBOTS prepared its financial statements according to the regulations of the International Financial Reporting Standards (IFRS) for the first time.

Differences to the previous accounting according to US GAAP resulted from the following facts:

* Through the reporting of the expense from the share options granted to the employees according to IFRS 2, accounting differences according to US GAAP arose. Reporting of options led to an increase in capital reserves and a corresponding reduction in the balance sheet profit.
* Expenses capitalised according to US GAAP related to the application and issuing of software patents were not valued according to IFRS. According to the management there are objective indications that the above-mentioned expenses do not fulfil the capitalisation requirements according to IAS 38 “Intangible Assets”.
* The consolidation group according to IFRS includes one more company than according to US GAAP. Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG is consolidated as an SPE as defined by the SIC 12. According to US GAAP the leased land and building are reported as tangible assets from financial leases and shown as a liability from financial leases.
* The “at equity” valuation of the interest in Informia AG was adjusted on the basis of better findings. In preparing the financial statements according to US GAAP as of December 31, 2004, only accounting information as of November 30, 2003 was available.

Shareholders’ equity at the time of the transition to IFRS and on the day of the last published financial statements according to US GAAP, January 1, 2004 and December 31, 2004, differs as follows:

FIRST USE OF IFRS in T. €

	Dec. 31, 2004	Jan. 01, 2004
SHAREHOLDERS' EQUITY ACCORDING TO US GAAP	127,110	130,384
EFFECT FROM REPORTING THE SHARE OPTIONS IN THE CAPITAL RESERVES	323	129
EFFECT FROM REPORTING THE SHARE OPTIONS IN PERSONNEL COSTS	–323	–129
EFFECT FROM NON-USE OF ANCILLARY PATENT COSTS	–1,241	–698
EFFECT FROM INCLUSION OF THE SPE	–769	–549
EFFECT FROM THE AT-EQUITY VALUATION OF INFORMIA AG	417	285
SHAREHOLDERS' EQUITY ACCORDING TO IFRS	**125,517**	**129,422**

The annual deficit of the last published financial statements according to US GAAP from December 31, 2004 changes as follows as a result of applying IFRS:

ANNUAL DEFICIT in T. €

	2004
ANNUAL DEFICIT ACCORDING TO US GAAP	–2,430
EFFECT FROM INCLUDING STOCK OPTIONS UNDER PERSONNEL COSTS	–194
EFFECT FROM NON-USE OF ANCILLARY PATENT COSTS	–542
EFFECT FROM INCLUSION OF SPE	–221
EFFECT FROM AT-EQUITY RESULT OF INFORMIA AG	132
ANNUAL DEFICIT ACCORDING TO IFRS	**–3,255**

Deferred taxes affect neither Group shareholders' equity nor the annual deficit. In the cash flow statement the use of IAS 7 "Cash Flow Statement" results in the following differences to reporting according to US GAAP:

CASH FLOW STATEMENT in T. €

	US GAAP December 31, 2004	Effect from non-use of ancillary patent costs	Effect from inclusion of the SPE	Effect from change to reporting of interest earned/paid	IFRS December 31, 2004
Increase/decrease of funds from operations	13,756	–542	914	–4,069	10,059
Increase/decrease of funds from investing	–3,932	542	732	409	–2,249
Increase/decrease of funds from financing	767		–278	3,660	4,149
Increase/decrease of cash and cash equivalents	10,591	0	1,368	0	11,959
Cash and cash equivalents at the beginning of the period	5,554	0	0	0	5,554
Cash and cash equivalents at the end of the period	16,145	0	1,368	0	17,513

The net effect on cash and cash equivalents corresponds to the cash and cash equivalents of the additionally consolidated Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG. In addition there is a change in the reporting of interest earned/paid. Whereas according to US GAAP interest earned/paid is assigned to the operations, under IFRS it is assigned to the financing and investment activity of the company.

Disclosure requirement relief under IFRS 1 was not used.

23. Transactions with Affiliated Parties

Persons and companies are considered affiliated persons and companies in terms of IAS 24 when one of the parties has the opportunity to dominate the other party or to exercise a controlling influence. Cinetic GmbH as majority shareholder of ComBOTS AG and Informia AG as an associated company as well as all subsidiaries of ComBOTS AG are to be listed as affiliated companies. Südleasing Immobilien GmbH, the shareholder of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, which is consolidated as a SPE, is also to be identified as an affiliated company. Cinetic GmbH is to be seen as the parent company of ComBOTS AG in terms of IAS 27.

Affiliated persons are the members of the Executive Board, the Supervisory Board and the management of the subsidiaries. The tax consulting firm Hansjörg Reiter GmbH, Karlsruhe, regularly does work for the company. The managing partner, Mr Hansjörg Reiter, is Chairman of the Supervisory Board of ComBOTS. The amounts invoiced to ComBOTS for tax consulting activities in the year under review amount to T€ 17 (2004: T€ 11).

ComBOTS did business to the value of T€ 4 (2004: T€ 33) with Cinetic GmbH, Gesellschaft zur Entwicklung und Vertrieb von Medientechnik, Karlsruhe (Cinetic). This includes the provision of various services in the broadest sense. Cinetic provided ComBOTS with services in the cafeteria sector to the value of T€ 290 (2004: T€ 204).

In the 2005 financial year ComBOTS paid for various services for Informia AG, Karlsruhe. For this, T€ 129 (2004: T€ 120) was invoiced by ComBOTS in the 2005 financial year.

As in the previous financial year, there were no transactions with SüdLeasing Immobilien GmbH.

Receivables due from affiliated companies:
* Informia AG to the value of T€ 194 (2004: T€ 122).
* Cinetic GmbH – none on balance sheet day (2004: T€ 4).

Liabilities due to affiliated companies:
* Cinetic GmbH – none on balance sheet day (2004: T€ 66).

MEMBERS OF THE EXECUTIVE BOARD IN THE FINANCIAL YEAR

	External Mandate
Michael Greve (Chairman)	Managing Director of Cinetic Medientechnik GmbH, Karlsruhe
Robert Gratzl	
Matthias Hornberger	Member of the Supervisory Board of Informia AG, Karlsruhe Managing Director of b2abc performance GmbH, Karlsruhe Managing Director of Internet-Abrechnungen GmbH, Karlsruhe
Matthias Greve (until October 31, 2005)	Managing Director of Cinetic Medientechnik GmbH, Karlsruhe
Matthias Ehrlich (until October 31, 2005)	

MEMBERS OF THE SUPERVISORY BOARD IN THE FINANCIAL YEAR

	External Mandate
Hansjörg Reiter, Karlsruhe, Tax Consultant, Chairman of the Supervisory Board	Managing Director of the tax consultant firm “Hansjörg Reiter GmbH”, Karlsruhe
Dr. habil. Karl Schlagenhauf, Karlsruhe, Technical MBA, Deputy Chairman of the Supervisory Board	Chairman of the Supervisory Board of adisoft AG, Karlsruhe Chairman of the Supervisory Board of efa.ag, Köln Chairman of the Supervisory Board of JPKinstruments AG, Berlin Member of the Supervisory Board of AP Automation+Productivity AG, Karlsruhe Managing Director of Kajak GmbH, Karlsruhe Member of the Advisory Council of nAmbition GmbH, Dresden
Felix Greve, Karlsruhe, Certified Engineer	Managing Director of MIRA Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe Managing Director of MAG Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe Managing Director of FARAH Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe

The total compensation (fixed and variable compensation) of the members of the Executive Board amounted to T€ 1,782 (2004: T€ 1,085) during the year under review. This includes T€ 927 (2004: T€ 1,085) fixed and T€ 855 (2004: T€ 0) variable components. On the balance sheet date, the Executive Board held subscription rights to 342,860 common shares of ComBOTS AG under ComBOTS AG's stock option programme (2004: 362,860 shares). Details of the stock option programme are presented in Chapter 17 Stock-based Compensation. In the 2005 financial year no stock options were awarded to the members of the Executive Board.

The total compensation of the members of the Supervisory Board during the year under review amounted to T€ 108 (2004: T€ 54). This includes T€ 63 (2004: T€ 54) fixed and T€ 45 (2004: T€ 0) variable components.

Reportable shareholdings of executive and non-executive directors as of December 31, 2005:

REPORTABLE SHAREHOLDINGS

Executive Board	Shares	Option
MICHAEL GREVE	none	none
MATTHIAS HORNBERGER	20,553	161,430
ROBERT GRATZL	none	181,430
	20,553	**342,860**

Supervisory Board		
HANSJÖRG REITER	none	none
DR KARL SCHLAGENHAUF	none	none
FELIX GREVE	none	none
	0	**0**

Cinetic GmbH, Gesellschaft zur Entwicklung und Vertrieb von Medientechnik, Karlsruhe (of which Matthias and Michael Greve hold 50% each) holds 21,584,505 shares of ComBOTS AG. Felix Greve indirectly holds 459,400 shares through three asset management companies.

In accordance with Section 41 para 3 of the German Securities Trading Act (WpHG), the company submitted the notifications of Cinetic Medientechnik GmbH, Karlsruhe as well as of Messrs. Matthias Greve and Michael Greve, both of Karlsruhe, of April 5, 2002 in accordance with Section 41 para 2 clause 1 WpHG stating that their voting rights of the then WEB.DE AG, Karlsruhe, continued to exceed the limit value of 50% on April 1, 2002 and amounted to 56.506% of the voting rights on April 1, 2002, for publication in the Handelsblatt newspaper on April 26, 2002 and notified the Federal Financial Supervisory Authority (BaFin) accordingly in writing.

In accordance with Section 25 para 1 of the German Securities Trading Act (WpHG), the company submitted the notification of Mr Felix Greve of December 23, 2002 in accordance with Section 21 para 1 WpHG stating that his voting rights of the then WEB.DE AG, Karlsruhe, fell below the limit value of 5% on December 20, 2002 for publication in the Handelsblatt newspaper on December 31, 2002 and notified the Federal Financial Supervisory Authority (BaFin) accordingly in writing.

The former WEB.DE disclosed on March 19, 2003 in accordance with Section 21 para 1 clause 1 of the German Securities Trading Act (WpHG), that as of March 18, 2003 the company held a total of more than 1,909,940 treasury shares and hence exceeded the 5% limit value in accordance with Section 21 para 1 clause 1 of the German Securities Trading Act (WpHG). The notification was published on March 21, 2003 in the journal for statutory stock market announcements. In accordance with Section 21 para 1 of the German Securities Trading Act (WpHG), ComBOTS AG disclosed on December 12, 2005 to the Federal Financial Supervisory Authority (BaFin) and to United Internet AG, Montabaur, that ComBOTS AG exceeded the 5% limit value. At this time ComBOTS AG directly held 3.8 million shares in United Internet, being 6.1% of the shares and of the voting rights. All transactions with affiliated persons and/or companies were carried out and valued as if they were independent third parties.

24. Legal Disputes

ComBOTS AG or its consolidated companies are not involved in court or arbitration proceedings which could have a major influence on the economic situation of the Group.

Furthermore, the company is not aware of any activities that would have or had within the past two years a major disadvantageous effect on the earnings, liquidity or financial situation.

25. Events after the balance sheet date

There were no reportable events after the balance sheet date.

26. Additional Details

a. Treasury Shares

By resolution of the Annual General Meeting held on May 15, 2001, July 11, 2002, July 17, 2003, June 16, 2004 and July 6,2005, the Executive Board was authorised to acquire up to 3,800,000 shares of the company, corresponding to almost 10% of the current share capital but no more than 10% of the share capital of the company, based on the principle of equal treatment, by January 5, 2005. As of December 31, 2005 ComBOTS held 2,310,874 treasury shares. This corresponds to an arithmetical share in the share capital of € 2,310,874 or 6.02%. 1,244,404 shares, corresponding to a share in the share capital of € 1,244,404 or 3.3%, were acquired in 2001; 574,921 treasury shares, corresponding to a share in the share capital of € 574,921 or 1.5%, were acquired in 2002; 181,539 treasury shares, corresponding to a share in the share capital of € 181,539 or 0.5%, were acquired in 2003 and 172,310 treasury shares, corresponding to a share in the share capital of € 172,310 or 0.45%, were acquired in 2004. In the 2005 financial year the number of acquired treasury shares was 332,760, corresponding to a share in the share capital of € 332,760 or 0.87%. The shares were acquired in 2005 at an average price of € 9.53.

b. Headcount and Personnel Expenses

The ComBOTS Group employed an annual average of 355 people (2003: 430) in the 2005 financial year. Personnel expenses for the financial year amounted to T€ 24,836 (2004: T€ 22,132). T€ 21,559 (2004: T€ 18,824) are accounted for by wages and salaries and T€ 3,227 (2004: T€3,308) by social security costs. The staff were divided up across the various departments as follows:

DEPARTMENT

	ø 2005	ø 2004
SALES	43	43
DEVELOPMENT AND SYSTEM ADMINISTRATION	149	164
PORTAL SERVICES	79	128
PRODUCT MANAGEMENT, PROJECT MANAGEMENT	34	46
ADMINISTRATION AND ACCOUNTS	50	49
	355	**430**

As a result of the acquisition of the staff of the portal business by 1&1 Internet AG, on the balance sheet date ComBOTS employed 83 staff.

c. Cost of Materials

The cost of materials listed in a profit and loss statement drawn up according to the “total cost” method amounts to T€ 11,292 in the year under review (2004: T€ 7,228).

d. Utilisation of Section 264b HGB

Use was made of the relief option provided for in Section 264b HGB (German Commercial Code) to dispense with financial statements drawn up according to the regulations for incorporated firms in the case of unincorporated firms, by the following companies:

* ComBOTS Product GmbH & Co. KG,
* ComBOTS Holding GmbH & Co. KG,
* Digital Entertainment GmbH & Co. KG.

e. Details regarding the Auditor

In accordance with Section 285 No. 17 HGB, in the year under review the company’s auditor received the following compensation, recorded as an expense:

* Fee for auditing the financial statements: T€ 70
* Other services: T€ 50

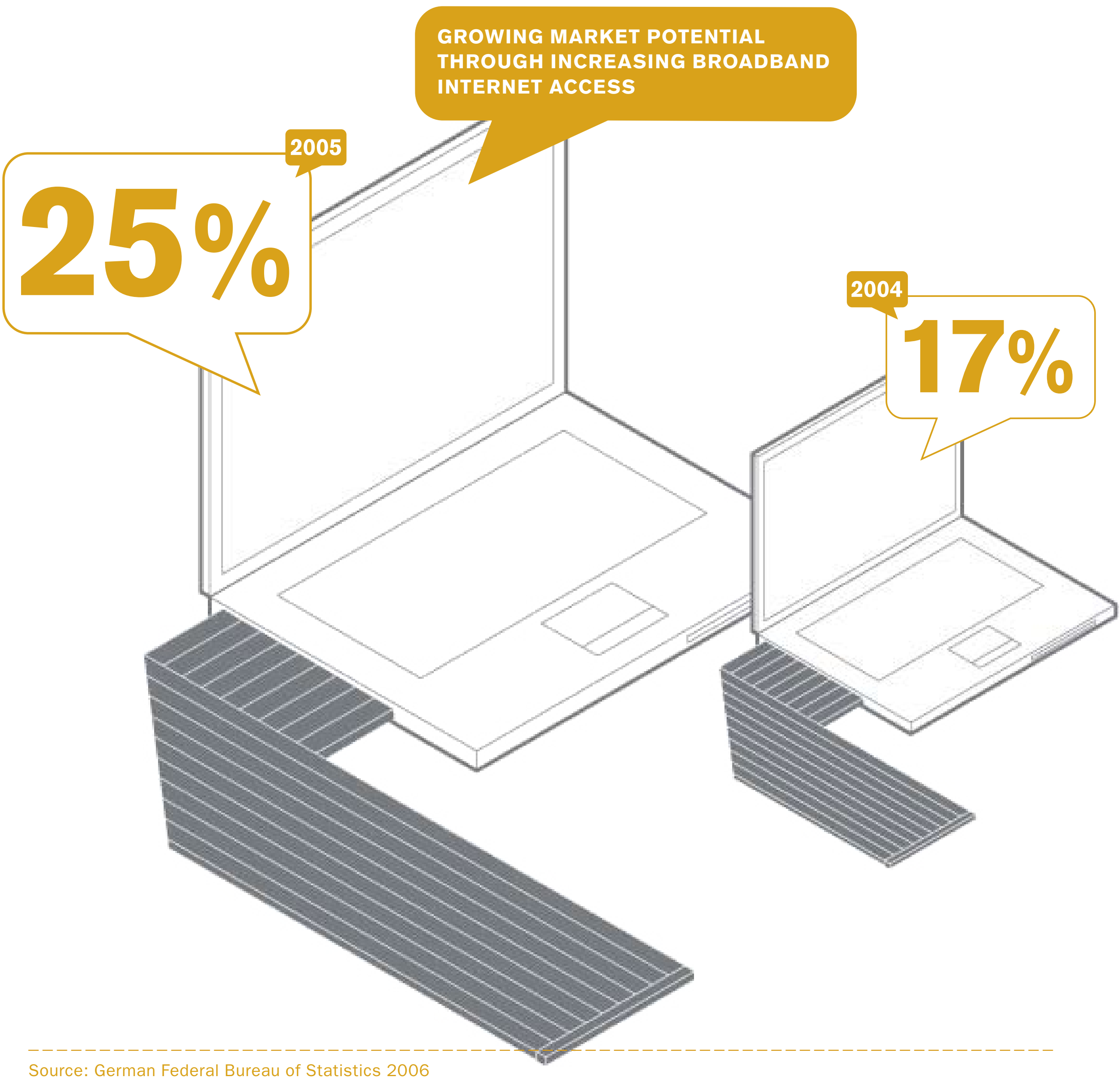
f. Declaration regarding the Corporate Governance Code

The Executive Board and Supervisory Board have issued the declaration of conformity to the Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) and made it permanently accessible to shareholders on their website.

Karlsruhe, March 2006
The Executive Board

ComBOTS AG KARLSRUHE
GROUP MANAGEMENT REPORT

SHARE OF PRIVATE HOUSEHOLDS WITH BROADBAND INTERNET ACCESS IN EUROPE



Source: German Federal Bureau of Statistics 2006

ComBOTS AKTIENGESELLSCHAFT
KARLSRUHE
GROUP MANAGEMENT REPORT FOR 2005

1. Business and General Situation

Strategic Overview

As WEB.DE AG we went public in February 2000. In October 2005 we successfully completed the final step of a strategic alliance with the United Internet Group. In the framework of the alliance we sold our well-known German Internet portal WEB.DE to United Internet for more than 350 million euros in cash and shares. After the transaction and all associated costs as well as taxes, we have almost € 500 million in liquid funds and fungible securities and thus also the financial strength to pursue our goal of becoming the world's most successful company for Personal Digital Communication.

In November 2005 we changed our name to ComBOTS AG as an expression of our focus on the global market for Personal Digital Communication and our concentration on global growth. Since then our company has appeared in public under the new name. Furthermore, in December 2005 the shares were changed into registered shares. In the last three years we have worked hard and invested significantly in resources, patents and innovative solutions for the next generation of Personal Digital Communication products. We believe that ComBOTS® will be so useful, so exciting and progressive that there is currently nothing comparable on the global market. The penetration of the Internet to the point of being the most important medium of communication in the 21st century and the associated digitalisation of our everyday life is constantly gaining in dynamics. Sales of digital cameras and mp3 players are booming. The spread of broadband Internet connections such as DSL is growing rapidly around the world. Thanks to technologies like UMTS, WLAN and WiMAX, very soon we will always be online and with the widest range of devices. Now already game consoles are connected to the Internet as a matter of course and mobiles are becoming multimedia machines with a hard drive.
All this, however, does not necessarily make things any better: tens of thousands of digital photos stack up unused on the PC, and spam, Trojans and viruses are a part of everyday digital life. The world of the diverse applications we use day in day out, such as e-mail, SMS, MMS, instant messaging, VoIP, webcams, video chat, attachments, photo albums, web drive, mobile e-mail, push e-mail, spam protection and many, many more, is much too complex and far from really being fun. And that is precisely what we want to change. In the world of integrated communication, thanks to these products and services every single individual should be able to communicate better. In the ever more complex digital world we are permanently striving to bring back simplicity, control and privacy into everybody's communication.

The product ComBOTS® is envisioned to represent a totally new world for many millions of users – spam-free, entertaining and confidential drag & drop communication. We are working on the realisation of this product each and every day. As an integrated solution ComBOTS® will combine the relevant forms of communication in an intuitive and user friendly way and be compatible with the most common Internet-capable devices.

With the coming launch of ComBOTS® in July 2006 we want to ring in the next generation of digital communication – with numerous international patent applications and the whole growth and technology experience of WEB.DE. In particular, in recent years we have learned immensely from the development and marketing of Com.Win, the first generation Personal Digital Communication product.

Despite our strong financial foundation we operate very economically with regard to expenditure and investments. The fact is, the Internet allows fast and global expansion without huge marketing budgets and without internationally known brands. There are many examples of this and we have also proved it ourselves:
Our earlier "e-mail & unified messaging" product WEB.DE FreeMail managed to outstrip the products of all other large international competitors on the German market because we concentrated on quality, exciting functions and word of mouth advertising. Right from the start we have developed ComBOTS® with precisely these considerations in mind.

ComBOTS® is not just a product for the German market, but is aimed at the global market. From the beginning it was designed and developed for international marketability and marketing. Right from the start ComBOTS® was designed with a business model that draws the user's attention to it, that offers enormous growth, high profit margins and recurring cash flow. Beginning from the needs of our customers, the ComBOTS® business model is built up on a number of cumulative income sources that mutually reinforce each other.

It includes individual sales (in the same way mobile phone vendors sell logos and ring tones or companies like Apple sell music via iTunes) as well as monthly recurring revenues (such as from the line rental for telephones or the Internet connection) – and thus combines several of the most proven business models in the world.

Through the alliancee that has established United Internet as the unchallenged market leader in the German portal market with a reach of over 50% on the German Internet, we have not only received huge financial resources for our future growth, but also gained United Internet as our partner for the fast, broadly based marketing of our future ComBOTS® products. Our operating business, in particular product management, development and the preparation of the launch of ComBOTS®, today takes place within the Group in our 100% subsidiary ComBOTS Product GmbH & Co. KG, also headquartered in Karlsruhe. Everything is in place. Already more than 100 ComBOTS employees are working on the realisation of our great goals. Owing to the removal of the portal business and the considerable investments in the new business segment, in the coming quarters leading up to the successful launch of the product there will be losses which are being financed according to plan from the company's strong financial base. The German and international launch of our product ComBOTS® is now planned for July 12, 2006 at the latest, the day before the Annual General Meeting. On this date, as an organisation prepared for the requirements of a global market, we want to launch a truly mature and convincing product.

Performance indicators and success factors

We orientate our entrepreneurial activity to and measure our success by the classical economic performance criteria. Our focus here is always on long-term company growth. This includes being prepared to act in an entrepreneurial way by making substantial investments today in order to achieve the strategic goals of tomorrow. We measure our sustainable entrepreneurial success using classical financial ratios, in particular EBIT, operating earnings and operating and free cash flow. In addition the typical industry ratios in the online and telecommunications business can always be drawn on to assess our business success, such as the development of users and customer numbers, ARPU (average revenue per user), conversion rates and other customer retention ratios. Before the launch of our product ComBOTS®, the assessment of our entrepreneurial success – at least in the business sector of Personal Digital Communication – using the ratios mentioned is not possible. A significant indicator for our future performance capacity that is already measurable now is our innovative strength technologically. Last year we filed another 21 patent applications. Altogether we have filed 94 patent applications in the past four years, meanwhile twelve have been granted, the others are currently in various phases of patent checking and approval. The ComBOTS® product design and product development are uncompromisingly orientated to the highest demands regarding product quality. Key criteria in this respect are the technological product architecture, maximum scalability and system stability, functionality and product features tailored to suit the needs of the market as well as intuitive usability.

In the framework of the focusing and at the same time restriction of our own value-added activities to our core competencies we place high demands on the efficiency and quality of our operational procedures and processes. Thus we use the ITIL methodology in designing our IT business processes – as we do SCRUM and similar methods of modern software development. We place correspondingly high demands on our employees with regard to their specialist and methodological competence. In return we encourage and demand a high degree of personal responsibility and decision-making autonomy among our staff. We place particular emphasis on developing and establishing high performing and highly scalable organisational units today already. This includes appropriately filling all management and key positions in the company right now with a view to the expected dynamic company growth and the resulting demands on the management and the organisation.

2. Earnings Position

Sale of the WEB.DE Internet portal division

The 2005 financial year was marked by the sale of our portal business to United Internet AG, Montabaur, in the framework of a comprehensive alliance. In the framework of this alliance, on October 31, 2005 United Internet acquired the entire Internet portal division with more than 450 employees, all corresponding technologies, assets, brands and licensing rights for a cash payment of € 200 million and 5.8 million United Internet AG shares, backdated to September 30, 2005. Our Annual General Meeting had already approved the sale on July 7, 2005 with an overwhelming majority of 99.87%. Through the acquisition of the WEB.DE portal, with a total reach of more than 16 million monthly users (unduplicated reach according to AGOF/Nielsen/WEB.DE), United Internet has become the largest German provider for Internet- and portal services, ahead of T-Online (13.15 million according to AGOF), MSN-Tomorrow Focus and Yahoo. United Internet thus takes a leading position and can therefore profit to an above-average degree from future developments in the areas of online advertising, e-commerce, DSL, online services, web hosting and web communication.

Furthermore, as a result of the comprehensive alliance the largest vendor of Internet advertising in Germany in terms of reach and volume of advertising space (about 2.5 billion page views and more than 16 million users monthly) was created under the umbrella of United Internet AG.

In the framework of the alliance it is intended that United Internet will offer the product ComBOTS® to its entire customer base. ComBOTS AG is thus ideally positioning itself to reach the German mass market.

In addition, through its almost 10% stake in United Internet AG, ComBOTS AG participates directly in the development of the Internet and portal mar-ket in all areas (online advertising, DSL, online services, web hosting etc.).

Through the cash component of € 200 million ComBOTS AG also gains solid financing for the global launch and marketing of its Personal Digital Communication products. On the basis of a valuation of € 26.60 per United Internet share at the time of the transaction (October 31, 2005), this resulted in a transaction volume at the time of € 354 million.

Development of the Discontinued Business Line Internet Portal to September 30, 2005

The segment of the Internet portal business encompassed the areas of media sales (online advertising), e-commerce and digital payment services and was operated until its sale in what is now ComBOTS AG itself as well as in the three subsidiaries WEB.DE Internet Service GmbH, WEB.DE Support GmbH and WEBTelecom GmbH. WEB.DE Freemail GmbH was merged with WEB.DE Internet Service GmbH before completion of the sale.

The sale of the portal business took place with economic effect from September 30, 2005. Until this time the earnings position of the sold segment was as follows: in the first nine months of the 2005 business year, i.e. until the sale, with revenues of € 41.2 million the portal business achieved a gross profit of € 32 million and operating earnings (EBIT) of € 9.9 million (Q1-Q3/04: € 4.6 million), representing an EBIT margin of 24%. The portal's revenues thus increased year on year by about 35%. This very positive development was promoted by the WEB.DE Club and the area of media sales, where it was possible to achieve above-average growth rates.

The EBITDA, i.e. earnings before interest, taxation, depreciation and amortisation, was € 14.1 million in this period.

Development of the Continued Business Line Personal Digital Communication in the 2005 Business Year

In preparation for the launch of ComBOTS®, owing to a lack of significant revenues and dominated by future-oriented investments in research and development (€ 13.1 million in the 2005 financial year) the only remaining business line Personal Digital Communications, currently under development, shows earnings from continued business activities of – € 12.8 million. Owing to the intensification of development efforts combined with a corresponding planned increase in development expenditure and the investments in the 2005 business year, the business line's EBIT was – € 17.3 million (previous year: – € 9.3 million); the EBITDA was – € 10.6 million (previous year: – € 9.3 million),

Extraordinary earnings

As consideration for the transfer of the portal business to United Internet, ComBOTS AG received € 200 million in cash and 5.8 million United Internet shares (at a price at the time of the transaction on October 31, 2005 of € 26.60 per share). There was a disposition gain (extraordinary earnings) of the difference between the consideration (€ 354.3 million) and the total book value of the assets and shares in the subsidiaries belonging to the portal, which were also disposed of, to the value of € 339.1 million. In connection with the conclusion and execution of the portal sale there were transaction costs of € 11.6 million. These were made up in particular of expenses of legal and tax advice, notary fees, M&A consultant and investment bank fees. Furthermore, as a direct consequence of the disposal of the portal business, non-recurring non-scheduled depreciation on technical facilities and other plant, office furniture and equipment as well as tenant improvements to the value of € 4.7 million and write-offs of € 0.5 million were necessary and were implemented.

Interest Earnings

From the investment of the available liquidity, in the past financial year positive interest earnings to the value of € 3.9 million were realised. Following a fundamentally conservative investment philosophy, liquid funds are invested almost exclusively in fixed-interest securities and money market papers from the widest range of issuers.

Taxes on Income and Earnings

As a result of the uncovering of hidden reserves at WEB.DE due to the sale of the Internet portal there was a tax burden of € 38.6. The trade tax and corporate income tax loss carry-forwards existing on December 31, 2004 amounting to € 76.2 million and € 79.9 million respectively were offset against the disposition gain and thus reduced the tax burden from the sale of the portal business. The treatment of the portal sale for tax purposes and the resulting tax burden, however, are still subject to re-examination by the fiscal administration.

Annual Net Profit

Altogether the 2005 business year closed with an annual net profit of € 273.1 million (previous year: – € 3,3 million).

3. Net Assets and Financial Position

Owing to the sale of the portal business, the net assets and financial position of the Group at the end of the 2005 financial year changed considerably from the previous year.

From the sale of the portal business to United Internet, after the deduction of earnings tax (€ 38.6 million), transaction expenses (€ 11.6 million) and purchase price offsets from the acquisition of liabilities by United Internet (€ 13.5 million), in the 2005 financial year the Group received a total of € 132.1 million in cash and 5.8 million United Internet shares.

The valuation of these shares, with their price of € 26.60 per share at the time of the transaction, amounted to a total inflow of funds from the sale of the portal business of € 286.4 million.

In the 2005 financial year, in accordance with the authorisations by the 2004 and 2005 Annual General Meetings, 332,760 of the company's own shares were bought back at an acquisition cost of € 3.2 million altogether, or an average of € 9.53 per share.

Owing to the sale of the portal business the Group's net asset and financial position changed considerably at the end of the 2005 business year in comparison to the previous year.

The following table shows in condensed form the key balance sheet items in comparison to the previous year:

ComBOTS AG: BALANCE SHEET ITEMS IN YEAR-ON-YEAR COMPARISON in million €

	2005	2004
CASH AND CASH EQUIVALENTS AND SECURITIES	439	109
OTHER SHORT-TERM ASSETS	13	9
PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL	24	37
OTHER LONG-TERM ASSETS	1	1
TOTAL ASSETS	**477**	**156**
SHORT-TERM LIABILITIES	36	18
LONG-TERM BANK LIABILITY FROM LEASING PROPERTY COMPANY	12	12
SHAREHOLDERS' EQUITY	429	126
TOTAL LIABILITIES	**477**	**156**

In the course of the portal sale, property, plant and equipment and Intangible Assets to the value of € 7.1 million were transferred to United Internet. The portal sale also led to the retirement of goodwill previously listed in the balance sheet valued at € 6.7 million. On the other hand, United Internet acquired customer deposits worth € 4.9 million, service obligations from subscription contracts with customers of the WEB.DE portal (in particular of the WEB. DE Club) for future periods of performance to the value of € 12.0 million as well as employee-related liabilities (above all residual leave obligations) with regard to acquired staff of the portal business amounting to € 0.6 million and provisions in connection with the portal totalling € 0.6 million, offset against the purchase price accordingly.

As a consequence of the cash inflows resulting from the disposal of the portal business to United Internet, liquid funds and securities in the Group increased to € 439 million as of December 31, 2005. The 5.8 million shares paid in addition to the cash purchase price have been valued on balance sheet day (€ 32.42 per share) at a total value of € 188 million as fixed asset securities in the consolidated financial statements.

There are also provisions for trade tax due in the short term totalling € 18 million as a result of the sale of the portal business. At a balance sheet total that has increased over the previous year by € 321 million to € 477 million, the shareholders' equity of the ComBOTS Group as of December 31, 2005 amounts to € 429 million (previous year: € 126 million) or 90% of the balance sheet total.

On balance sheet day the ComBOTS Group held a total of 2,505,934 of its own shares at an historic cost of € 16.2 million (= an average of € 6.45 per share).
The market value of these own shares on balance sheet day was € 24.1 million (valued at the share price of € 9.60 per share on December 31, 2005). In the consolidated financial statements the own shares are carried as liabilities under shareholders' equity at historic cost.

As of December 31, 2005, with the exception of bank liabilities from the financing of the company's premises in Karlsruhe within the scope of a property leasing relationship, there was no bank debt. Within the scope of this long-term property leasing agreement, in 2001 the Amalienbadstrasse site in Karlsruhe, used for operating purposes, was rented.

Cash and cash equivalents of the ComBOTS Group (including fungible fixed interest securities of the current assets and fixed assets and the 5.8 million United Internet shares, valued at the share price on the balance sheet date of € 32.42 per share) amounted to € 439 million (2004: € 109 million) or 92% of the balance sheet total as of December 31, 2005. ComBOTS is thus in an excellent financial condition to achieve its strategic goals.

Since the transaction date (October 31, 2005) the share price of United Internet shares has risen from € 26.60 to € 32.42 as of December 31, 2005. This meant an increase in the value of the United Internet stock position of € 34 million. On March 9, 2006 the closing price of United Internet stock was € 40.87 per share. The accounting par value increased over the transaction date by € 83 million to € 237 million, cash resources increased to € 488 million in total. In relation to the ComBOTS AG authorised capital, reduced by the own ComBOTS shares held in the ComBOTS Group, of 38,855,296 shares, cash and cash equivalents on March 9, 2006 amounted to € 13.61 per share.

4. Employees

The business success of ComBOTS® is very much dependent on the performance and commitment of its staff. Consequently, the retention, motivation and recruitment of highly qualified staff are of vital importance.
In addition to the payment of fixed salaries, in large parts of the company the ComBOTS compensation system also provides for variable salary elements dependent on the achievement of individually agreed performance targets. To allow staff to participate in the long-term success of the company and to provide an incentive for their long-term loyalty to the company, all employees of ComBOTS AG and its majority subsidiaries are integrated into an employee participation programme in the form of a stock option plan. Moreover, ComBOTS attaches great importance to the technical and methodological advanced and further training of its staff through regular internal and external training and qualification schemes, particularly for the top management level.

At the end of the 2005 financial year the ComBOTS Group had a total headcount of 83. The headcount as of December 31, 2005 breaks down by function as follows:

HEADCOUNT

	Headcount
SOFTWARE DEVELOPMENT AND IT	46
PRODUCT MANAGEMENT, MARKETING AND SALES	4
GENERAL ADMINISTRATION, FINANCE AND OTHERS	33
TOTAL	**83**

On the previous balance sheet day the headcount was 456, and at the end of the third quarter 2005 it was 546. The major decline in staff numbers results directly from the disposal of the portal business with more than 450 employees.

In the scope of the alliance with United Internet, Matthias Greve, co-founder and previous Chairman of the Executive Board of WEB.DE AG, transferred to the Executive Board of 1&1 Internet AG, Montabaur.

Here he heads up the entire portal business of United Internet AG. Matthias Ehrlich, previously board member responsible for Media Sales, also transferred to the Executive Board of 1&1 Internet AG on October 31, 2005. Since then Michael Greve has been the new Chairman of the Executive Board of ComBOTS AG.

5. Supplementary Report

In the 2006 financial year to date too, the projects, schemes and measures for product and organisational development and for the launch have been advanced full steam ahead.

In preparation for the launch we are currently building one of the most powerful data centres in Europe. In February 2006, together with LambdaNet Communications Deutschland AG, one of the leading providers of telecommunications and Internet services in Germany, we implemented a direct high-speed connection to the central German network node DE-CIX in Frankfurt. At the launch already, ComBOTS thus has a capacity of 20 gigabit per second for the connection to the Internet and is therefore well equipped for the anticipated first big growth phase. By March 9, 2006 the United Internet share price rose from € 32.42 on December 31, 2005 to € 40.87. Based on the 5.8 million United Internet shares held by us, this represents an increase in the value of the holding since the balance sheet date of € 49.0 million.

6. Risk Report

Risk management objectives, principles and methods

Responsible dealing with financial, human and other resources is part of the ComBOTS corporate culture. In this regard, ComBOTS sees efficient and forward-looking risk management as an important and value-creating task and a decisive driver for the success of our business activity. In the framework of our Group-wide programme management we have installed a monitoring system that identifies, classifies and evaluates risks.
The objectives of risk management include a systematic analysis of potential risks and the promotion of risk-oriented thinking and action within the overall organisation. The controlled management of risks is to contribute towards consistently seizing opportunities, increasing business success and enhancing shareholder value.

Risk management is aimed specifically at supporting an improvement of risk awareness and risk transparency, identification of all major risks, initiation of appropriate control and monitoring measures and the securing of reliable management information about the risk situation of the company.

The risk management of ComBOTS is guided by the following principles:

The implementation of effective risk management requires clear and unequivocal allocations of tasks and responsibilities in the overall organisation as well as a more systematic risk management process. Risk management must cover all risks associated with the business activity. Risk management is implemented by the executive levels in the same way as by the operating business units within the framework of their clearly defined performance areas of responsibility.

The risk management system is properly documented and communicated within the company. Against this backdrop the goal of a risk management system is to provide those responsible with appropriate tools for risk analysis and assessment. The central Risk Manager has the competency to issue methods and guidelines for the risk management system. He coordinates and reports on essential risks. This includes a status review of the risk inventory and reporting. Risks are identified by the managers responsible for the different performance areas and assessed, then risk management measures are formulated and executed.

A risk stocktaking and assessment is carried out at appropriate intervals. If there is a need to take action, proper risk management and tracing measures have to be taken and included in the reporting. If necessary, the Supervisory Board is informed through the Executive Board within the framework of a Supervisory Board meeting. A company-wide reporting system serves for short-term and up to date reporting on acute risk situations within the scope of risk management.

Market and Business Risks

ComBOTS' ability to generate material revenues based on the attractiveness of digital communication very much depends first of all on the continued successful and rapid market penetration of broadband Internet, such as DSL, and high-performance mobile phone transmission standards such as UMTS. Moreover, the continuing positive development of the acceptance and demand for digital communication services and the readiness to pay for them will have a major influence on our business success.

ComBOTS currently makes huge development efforts in the field of Personal Digital Communication and allocates considerable human and financial resources to the new Personal Digital Communication offering which is currently being stepped up. If ComBOTS were not to succeed within a reasonable period in successfully developing and/or successfully distributing a marketable product whose revenues justify the high capital expenditure in this business line, this would have an adverse effect on the assets, financial and earnings position of ComBOTS and might require the total realignment of the business purpose, business model and strategic aims of the company.

The launch of our product ComBOTS® is planned for mid 2006. Currently all necessary projects and other activities are going to plan. Naturally, however, at any time future delays in current or imminent individual projects up to the launch can not be ruled out. If the launch should be considerably delayed or not succeed at all, this would have considerable negative effects on the earnings position and might require the total realignment of the business purpose, business model and strategic aims of the company. Owing to the outstanding financial situation of the company, however, in such a scenario a threat to the existence of the company is not anticipated.

With our product ComBOTS® we want to establish a new communications category on the market. We are firmly convinced that, thanks to its inherent product features and its innovative product design, ComBOTS® has very good marketing opportunities. A final statement on the actual acceptance by the future customers and the suitability of the product for the mass market, however, can not be reasonably made at the present point in time. There is a risk of failure. If there should be no or insufficient acceptance of the product in the market, this would have considerable effects on the future earnings situation within the Group.

Use of the Internet is now already taken for granted in all major markets and industrial countries. The huge benefits in terms of information and communication that the Internet brings are accompanied, however, by increasing risks and impairments due to abuse. The increasing nuisance and threat of spam, viruses, Trojans, spyware or phishing is today unfortunately already a matter of course in the use of the Internet. There is a danger that because of the increasing annoyance through spam, viruses, phishing etc. the acceptance of the Internet and/or our products could decrease or disappear with corresponding major adverse effects on the development of our company.

In the fields of digital communication and communication media, such as the Internet, mobile telephony, digital photography and consumer electronics, both in the area of terminal devices and hardware and also in the field of applications and software applications, the speed of innovation is immense. Practically daily new terminal devices with additional functionalities and innovative applications are taken to market. We work on the assumption that in future this speed of innovation will increase even more, and take up the challenge of this dynamically changing market environment in which the previous technological and industry boundaries between the Internet, mobile telephony, fixed line telephony, photography and consumer electronics are increasingly disappearing and markets are growing together. We see in this development a confirmation of our strategic line of attack and a huge opportunity for our company and our products. Notwithstanding, the immense competitive dynamics in this highly attractive market of the future also contains equally large risks. If ComBOTS did not succeed in being competitive with its products and offerings, this might have considerable adverse effects on the earnings position and might require the total realignment of the business purpose, business model and strategic aims of the company.

Owing to the outstanding financial situation of the company, however, in such a scenario a threat to the existence of the company is not anticipated.

The same applies if we should not manage to further upgrade our products in the dynamic and hard-fought competitive environment in a way that they will cover the needs of users, and as a result there were no or insufficient demand for our products.

ComBOTS® is a product that has been developed for international and worldwide sales and use. Even if we succeed in successfully marketing the product on the German market, currently we have no applicable experience of whether the product really will find acceptance and success in international markets as well, in particular in the key target markets of the USA, Korea and Japan. If international marketing were not to succeed, this would have considerable impact on the growth potentials and thus the earnings position within the Group. The ComBOTS® business model is based on successful and proven business models in the online, telecommunications and consumer electronics industries. We are therefore acting on the firm assumption that the ComBOTS® business model will also be successful. A final statement on this, however, can only be made after the launch has taken place. Should the ComBOTS® business model not be successful, this might have considerable adverse effects on the earnings position and might require the total realignment of the business purpose, business model and strategic aims of the company. Owing to the outstanding financial situation of the company, however, in such a scenario a threat to the existence of the company is not anticipated.

In the scope of the sales alliance intended with United Internet and agreed on in its key points on the sale of the portal business, ComBOTS is to have access to the entire customer base of the United Internet group for its own marketing and sales activities. In this way we are ideally positioning ourselves with the largest German provider for Internet- and portal services for the initial launch. As of today, however, a final and concrete sales agreement has not yet been concluded. If, however, contrary to expectations this agreement planned by both sides should not be concluded, alternative initial sales channels would need to be defined and potentially sales activities financed. Although we do not expect that this would have a major impact on our earnings position and our business success, nevertheless we can not totally exclude the possibility.
The spread of ComBOTS® in the market is intended to occur mainly on the basis of viral marketing and word of mouth advertising. The product design was explicitly orientated to this, so that we see good chances of viral distribution essentially being successful. A final statement on this, however, can only be made after the launch has taken place. If viral dissemination were to be unsuccessful, we would have to turn to extensive and cost-intensive sales, advertising and marketing activities, which could lead to a major burden on the earnings position. On the basis of the good funding of the Group, from today's perspective we expect to be able to cover the capital requirements resulting from the sales, advertising and marketing activities from the existing capital resources in the Group.
The same could apply if and to the extent that existing statutory or other public-law requirements or rules in individual countries prevent or restrict the viral dissemination of the product in these countries as a whole.

Operational Business Risks

ComBOTS' products and applications are based on a technical infrastructure that encompasses highly sophisticated data centres, networks, servers, routers, storage systems, middleware and software components. Any major impairment of one or more of these systems, which would interrupt application services of ComBOTS, could cause lasting damage to its image and/or the company's business success. Such impairments can have a material impact on the future asset, financial and earnings position of the company.

Any interference caused by Internet users, e.g. by hacker attacks, viruses, Trojans or similar cannot be categorically ruled out. They may also involve liability claims asserted by users against ComBOTS. Expenditure incurred in connection with the remedying of damage caused by third parties could have a material and negative impact on the business, financial and earnings position of ComBOTS. At the same time, insurance against such damage is currently not available at all or only available subject to major restrictions.

Vendor and Cooperation Risks

In the procurement of technical components, products and services as in the delivery of our service portfolio and in the handling of our business processes we are dependent on third party suppliers, service providers and cooperation partners. In the provision of products, components and services there can be delays, quality and cost problems or other disruptions and impairments to performance which we fundamentally can not rule out. Such occurrences can considerably damage our business activities and have a major adverse impact on our business success.

Regulatory and Legal Risks

Some of the markets in which ComBOTS® is to be sold and operated are strongly regulated. The compliance with and adherence to existing or future underlying statutory conditions, provisions or requirements in the various countries in which ComBOTS® is to be sold and operated can result in additional investments or measures being necessary and implemented, triggering corresponding, potentially substantial costs.

In Germany, for example, such provisions arise from the telecommunications law, the data protection law or a planned rule on inventory data storage. It can also not be completely ruled out that sales or operation in individual international markets is made impossible because the concrete statutory provisions or requirements we or our products can not fulfil prevent them.

ComBOTS endeavours to protect its rights and property by means of patents, trademarks or copyrights. These rights are not always secured by the state. In foreign countries in particular there are sometimes regulations that offer significantly less or no protection, or the ability to assert claims is in some cases made considerably difficult. For this reason an abuse of rights and proprietary technologies can not be ruled out. In order to minimise this risk, non-disclosure agreements, contractual use restrictions etc. are concluded with our partners, service providers and employees and infringements uncompromisingly pursued. Likewise, claims can also be made against ComBOTS because of infringement of rights or patents, e.g. if claims to intellectual property are made on technologies, product components or similar used by us, about whose protection we had no knowledge, or if we infringe licensing agreements made. Such claims can assume substantive proportions and – to the extent that they can not be successfully defended – even threaten the existence of our business model, our business success and the assets, financial and earnings position.

Growth Risks

ComBOTS continuously adjusts its internal structures, processes and resources to future corporate development and planned growth.

Any failure in growth management, particularly in organisational and human resources development or in the timely development and expansion of the necessary technical infrastructure for the operation of application and storage systems, could mean that business and growth targets are not reached and could have a major adverse impact on the financial and earnings position of ComBOTS.

The same applies should the company not succeed in financing its capital requirements from future investments necessary for the realisation of the planned growth. In this case the business and growth goals may not be achieved.

Human Resources Risks

The future economic success of ComBOTS is founded on the achievements of our employees. Competition for highly qualified specialists and managers continues to be very high in our industry. In order to achieve our corporate goals we plan to considerably expand our business. For this we need many highly qualified specialists and managers. Our future success also depends on the extent to which we succeed in hiring and integrating these employees and permanently ensuring their loyalty to the company. The departure of key executives could also have a major adverse effect on the development of ComBOTS.

Investment Risks in Connection with Liquid Funds and Investees

Against the backdrop of a basically conservative investment philosophy, liquid funds are invested almost exclusively in fixed interest and money market securities. Investment in investment grade, fixed interest bonds can be affected by interest variations, solvency risks or similar. This can result in share price losses for the securities, and jeopardise or clearly reduce the profitability of investments made by ComBOTS.

A considerable part of the liquid funds of ComBOTS is currently held in the form of 5.8 million shares in United Internet AG. In view of the common sales alliance we currently consider these shares as a strategic investment. The market value of these shares on March 9, 2006 was around € 237 million. Like all listed stocks, these shares are subject to the risk of major share price fluctuations.

Major price losses can also fundamentally not be ruled out because of general influences resulting from the stock markets or company-specific developments at United Internet. Such price losses can have substantial adverse effects on our assets, financial and earnings position.

Of course, similar share price risks also exist in respect of treasury stock and the other participations in investees. In the coming years ComBOTS will also potentially further expand its business model and technology basis through acquisitions and participating interests in companies. Unsuccessful investments can have major adverse effects on the assets, financial and earnings position of ComBOTS.

Guarantee and Settlement Risks, Non-Competition Clause

In connection with the disposal of the portal business, corresponding to the practice in such transactions we as the seller have provided the usual comprehensive guarantees with regard to the subject of the contract.
The liability of ComBOTS AG regarding violation of the guarantees was restricted to an overall maximum of € 100 million. Regarding fulfilment of the main liabilities, in particular to transfer of title and other transfer obligations, and the subsidiary and indemnification obligations explicitly regulated in the asset contribution agreement or share purchase agreement with United Internet, an absolute upper liability limit together with claims regarding breach of warranty of € 300 million was agreed.

Additionally a non-competition clause was agreed, in which, among other things, the operation of an Internet portal in the German speaking region or a web based German language e-mail service (such as the e-mail services of WEB.DE, GMX, Yahoo, MSN or T-Online) is prohibited for two years from the time of completion. In the case of a violation of the non-competition clause, a one-off contract penalty of € 100 million is due. With the complete payment of the contract penalty the validity of the non-competition clause ends.

To date no claims have been put forth by United Internet.
If in the future there were to be recourse to ComBOTS AG out of these warranty or settlement claims or because of a violation of the non-competition clause, this would have a major impact on our assets, financial and earnings position.

Fluctuations in Quarterly Results

It cannot be ruled out that the quarterly results are particularly subject to a high volatility, which could result in marked fluctuations in the share price of ComBOTS AG.

7. Forecast

Exclusive Focus on Personal Digital Communication and Internationalisation

The business segment Personal Digital Communication is now the core business area of ComBOTS. In contrast to the business area Internet Portal Business, the business segment Personal Digital Communication will be internationally orientated and more strongly software based.
In the scope of the alliance with the United Internet group the company will concentrate on the further development and the international launch of its Personal Digital Communication products of the next generation.
It is intended that ComBOTS AG shall thus become an internationally operating technology provider in the future market of Personal Digital Communication. To this purpose it will develop and expand the necessary organisational, technical and social structures. The goal is worldwide market leadership in Personal Digital Communication between people.
ComBOTS' future core business will be the ComBOTS® product family, which as an integrated communication solution combines the relevant communication forms in an intuitive and user friendly way and will be compatible worldwide with the most commonly used Internet capable terminal devices. Users will communicate easily and intuitively via a professional technology working in the background. In the world of integrated communication, every single individual should be able to communicate better thanks to these products and services.

The Personal Digital Communication Market of the Future

In the opinion of international experts and independent market observers the huge potential of the future market for integrated communication solutions is undisputed. At a very early point in time ComBOTS set out to conquer this promising future market of integrated communication with its key product. Today already this Personal Digital Communication product is very comprehensive and complex technologically. Before the background of the young and still developing market, ComBOTS® is a very sophisticated product that will consistently follow the path to the mass market.
The Executive Board is convinced that the supporting underlying conditions such as broadband "always on" Internet connections and the acceptance of users for integrated communication products will develop very well in the near future.

Future Strategies and Goals

We are aligning the future corporate strategy to the rapid expansion of the business segment Personal Digital Communication and reaching the profitability threshold soon. For this, considerable investments are necessary first in product development, preparation of the launch of ComBOTS®, the development and expansion of a scalable organisation and infrastructure as well as human resources.

The key future corporate goals of ComBOTS AG include:

Development of technological market leadership in the field of integrated digital communication solutions

The exclusive concentration on the new core business segment of Personal Digital Communication is intended to allow ComBOTS to establish itself as the technology leader in the field of integrated digital communication solutions. In this connection the communication solution ComBOTS® represents an extremely sophisticated and powerful product with which the company is positioning itself early in this market of the future. It is secured by more than 90 patents and patent applications. After the launch, which is planned for July 2006, it is planned that ComBOTS® will also reach the international markets as a mass marketable end consumer product. In combination with access to the user base of the United Internet group in the scope of the planned marketing alliance of which the key points have already been determined, the Executive Board sees excellent chances of quickly reaching significant user and customer numbers.

Internationalisation

A major limiting factor of the previous portal business was its restriction to the German market. Because the field of Personal Digital Communication is based on software solutions, which will be globally compatible with the most commonly used Internet capable devices and are independent of national markets with regard to technology and language, it is considerably more suitable for marketing internationally. Currently the national and international structures of the Personal Digital Communication division are in the process of being set up.

Development of Licensing and Cooperation Systems

In the medium term it is intended that the marketing of the product ComBOTS® should take place via a licence and cooperation based business system. In this connection cooperations at various levels of the marketing and value-added chain are planned. The alliance with the United Internet group is the first step towards the development of such a marketing system. The intention is that selected licensees and marketing partners are integrated into and responsible in the various target markets, e.g. for sales approaches through their distribution channels, the sale and invoicing of premium products and the subsequent customer support. The ComBOTS group, on the other hand, has ultimate responsibility for the product design, for the technology and for operating the service.
As a result of the sale of the portal business, ComBOTS AG is then no longer a direct competitor for Internet service providers and in particular large international players. This means that through the marketing of the ComBOTS AG communication solutions through such companies as a rule no distribution channel conflicts are to be expected.

Business Planning and Scenario Observations

Because the product ComBOTS® possesses considerable innovation value and has not yet been introduced to the market, obviously no reliable plan target figures for the next years are presentable. At this time the degree and the speed of dissemination of ComBOTS® on the market can not be seriously projected with any degree of reliability. For this reason at the moment it is only possible to present scenarios in the sense of assumptions about a possible development of business in the coming years.
To begin with, a key factor for the business development trend in the next two financial years will be whether or that it is possible to launch the product as planned in the middle of the 2006 financial year. After this business development will be determined decisively by the speed of the following penetration and product dissemination in the German and the major international markets. The speed and the extent of customer acquisition will be the main determinants of when the breakeven is achieved. When exactly the breakeven is reached can not seriously be predicted at this time, i.e. before the product launch has even taken place. In this respect the statements on the future development of business are made with an increased forecasting uncertainty. In a positive scenario we expect to reach the breakeven in the 2008 financial year, in a negative scenario with a slower assumed timeframe of market penetration the breakeven would be expected in the 2009 financial year. Until then we are assuming a negative result before tax of up to € 25 million per year, at least for the years 2006 and 2007.

In a positive business development scenario we would progressively develop and expand the headcount on the basis of the market and product successes occurring. This scenario assumes development of the headcount from currently around 100 employees to over 200 by the end of 2006, then to about 350 by the end of 2007 and to over 500 by the end of 2008. If the market success should turn out to be somewhat more restrained, we would expand the headcount very carefully. This scenario assumes development of the headcount from currently around 100 employees to about 150 by the end of 2006, and thereafter to about 250 by the end of 2008.

Capital Requirements, Financing of Growth and Dividend Policy

The financing of operating costs until the breakeven is reached will be covered from the existing company substance and liquidity.

Beyond that the level of future capital requirements depends largely on the following impacting factors:

If the product has the success on the market that we are expecting, there will be a major need for capital for the development of the technical infrastructure. We are assuming that in a positive scenario, i.e. in the case of a fast and large product success, extensive investments will be necessary in data centres, servers and other infrastructure worldwide. Depending on the number of users gained, this will be a considerable investment. Anyone who has followed the success stories of companies like Google, Ebay and others like them knows that here in the case of an immense product success investments in treble digit millions can be necessary. Furthermore, every acceleration in sales also results in a not inconsiderable requirement for working capital. If we should manage to achieve sales revenues of € 100 million and more within a short time, this will also lead to a substantial tying up of capital in the form of accounts receivable and other short-term current asset items.
Furthermore, if – and only if – we are successful, we will also try to achieve and consolidate this success internationally in all important and major markets. For this we will also need to be represented locally in the relevant foreign markets (e.g. in other European countries, in Japan, the USA and Korea) in order to fulfil the individual peculiarities and needs of the local markets with regard to products and business systems. This will also take place – again, in the case of success – in the form of acquisitions of companies in foreign markets. For this too there must be sufficient financial manoeuvrability available, so as not to endanger future planned growth. So much can be said from today's perspective regarding qualitative considerations on future growth scenarios and the financing requirements resulting from them.

It is clear that financing requirements correlate positively with business success in the future. The greater the business success, the greater the short-term capital requirements for financing and securing the growth of the company.

With regard to the 5.8 million United Internet shares, before the background of the planned distribution cooperation with United Internet we intend to hold these as a strategic investment.

Before this background, with regard to the future dividend policy, we will responsibly weigh up against each other the interests of the company on the one hand and the interest of the shareholders in an appropriate dividend on the other.

Karlsruhe, March 2006
The Executive Board of ComBOTS AG

INDEPENDENT AUDITOR'S REPORT

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

"We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements and the Group management report prepared by the ComBOTS AG, Karlsruhe, for the financial year from January 1 to December 31, 2005. The preparation and the content of the consolidated financial statements and Group management report in accordance with IFRS as they are to be applied in the EU, and the supplementary commercial law regulations according to Section 315a Paragraph 1 of the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and Group management report based on our audit.

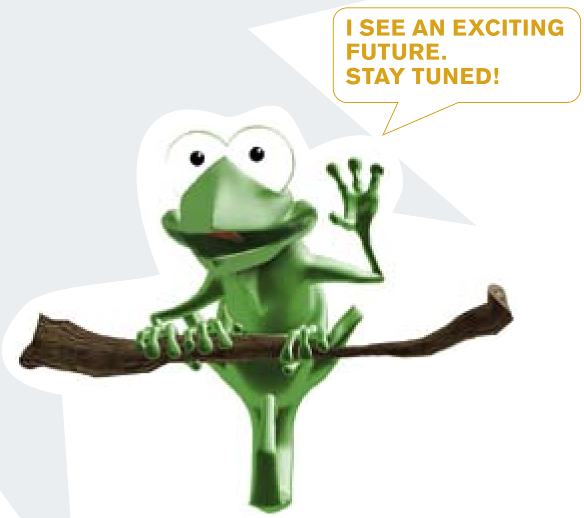
We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that incorrect statements and infringements that materially affect the representation of the picture provided by the consolidated financial statements prepared according to the applicable accounting standards and by the Group management report on the net assets, financial position and results of operations can be recognised with reasonable assurance.
Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures.
The effectiveness of the internal accounting control system as well as evidence supporting the amounts and disclosures in the consolidated financial statements and the Group management report are examined on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in the consolidated financial statements, definition of the companies 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. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as they are to be applied in the EU, and the supplementary commercial law regulations according to Section 315a Paragraph 1 HGB and in accordance with these standards give a true and fair view of the Group's net assets, financial position and results of operations. The Group management report is consistent with the consolidated financial statements, provides an accurate view on the whole of the Group's position and accurately presents the opportunities and risks of future development."

Mannheim, March 13, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft


I SEE AN EXCITING
FUTURE.
STAY TUNED!

FINANCIAL CALENDAR

2006

20 April 2006	Publication of the first quarterly report
13 July 2006	Annual General Meeting 2006 Karlsruhe
27 July 2006	Publication of the second quarterly report
19 October 2006	Publication of the third quarterly report
18 November 2006	German Equity Capital Forum Autumn 2006

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comBOTS®

SHARE OUR FUTURE