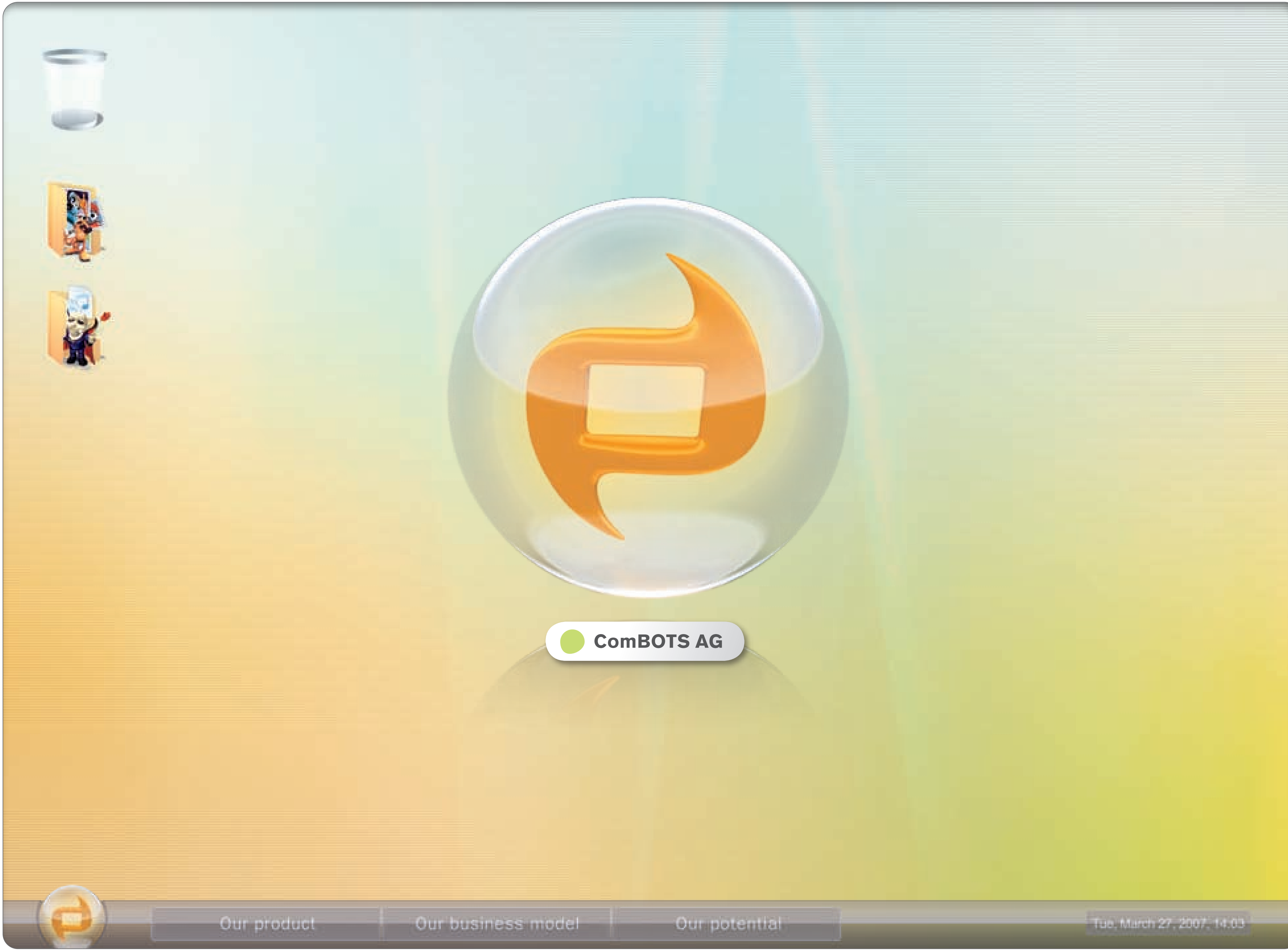
comBOTS®


ComBOTS AG
Our product
Our business model
Our potential
Tue, March 27, 2007, 14:03

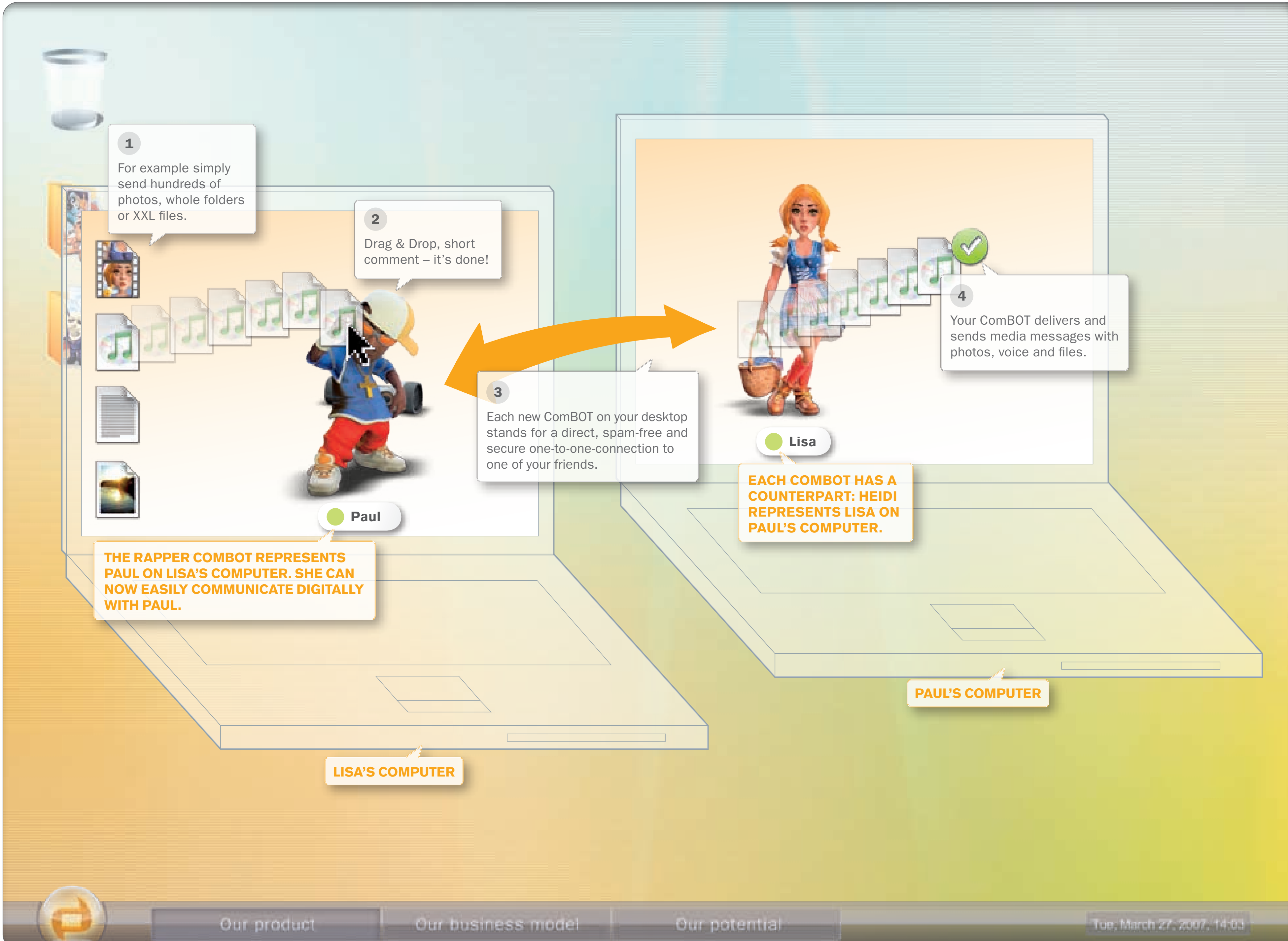
WE ARE COMBOTS.

WE HAVE CREATED A POWERFUL COMMUNICATION TOOL WHICH IS EASY TO USE AND IS A BARREL OF LAUGHS.

WITH A CLEAR VISION:
A DIGITAL REVOLUTION IS ON ITS WAY, BUT THE COMPLEXITY OF THE EXISTING APPLICATIONS OFTEN SPOILS ALL THE FUN OF DIGITAL COMMUNICATION.

COMBOTS IS MORE THAN E-MAIL, MORE THAN INSTANT MESSAGING PLUS FILE TRANSFER DELUXE – COMBINED WITH THE BEST FROM HOLLYWOOD FOR PCS AND SOON FOR MANY MOBILE PHONES, TOO.

WE ARE ON THE WAY TO CHANGE THAT FOREVER AND HELP PEOPLE ALL OVER THE WORLD TO COMMUNICATE BETTER.


1
For example simply send hundreds of photos, whole folders or XXL files.
2
Drag & Drop, short comment – it's done!
Paul
THE RAPPER COMBOT REPRESENTS PAUL ON LISA'S COMPUTER. SHE CAN NOW EASILY COMMUNICATE DIGITALLY WITH PAUL.
3
Each new ComBOT on your desktop stands for a direct, spam-free and secure one-to-one-connection to one of your friends.
4
Your ComBOT delivers and sends media messages with photos, voice and files.
Lisa
EACH COMBOT HAS A COUNTERPART: HEIDI REPRESENTS LISA ON PAUL'S COMPUTER.
LISA'S COMPUTER
PAUL'S COMPUTER
Our product
Our business model
Our potential
Tue, March 27, 2007, 14:03

COMBOTS IS THE NEXT GENERATION COMMUNICATION TOOL,

COMBOTS HAS ONE OF EUROPE'S MOST POWERFUL DATA CENTERS

BASED ON ONE-TO-ONE CONNECTIONS TO FRIENDS AND FAMILY.

A SECURE CONNECTION BETWEEN TWO COMMUNICATION PARTNERS

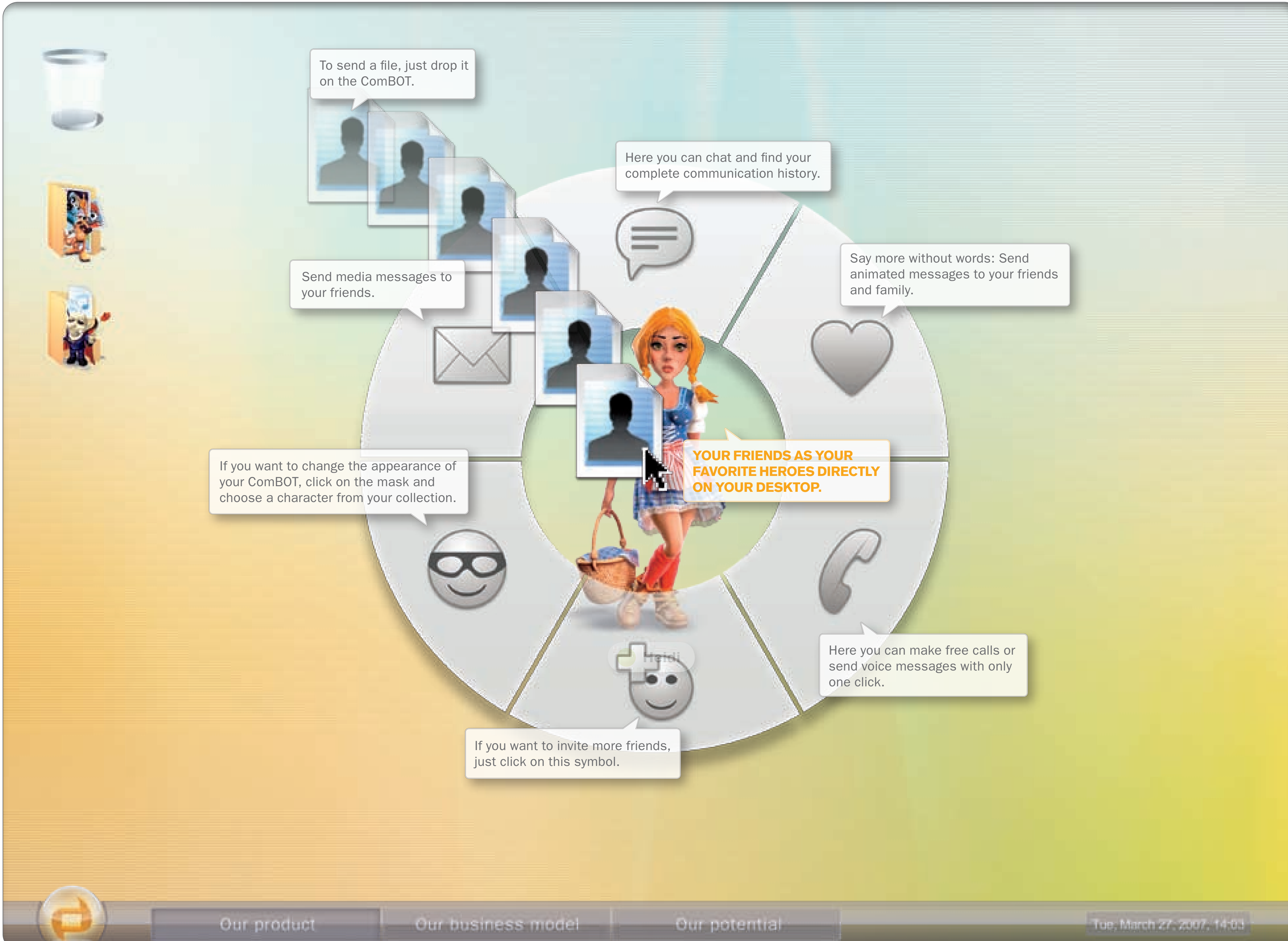
IT'S BY INVITATION ONLY: COMBOTS IS 100 % SPAM-FREE!
YOU ONLY COMMUNICATE WITH TRUSTED PEOPLE YOU HAVE INVITED. AS USER-RELATED ADVERTISING IS ANNOYING AND JEOPARDIZES YOUR PRIVACY, WE AT COMBOTS DECIDED TO DO WITHOUT IT.

NO SPY WARE

INVITATION ONLY

NO AD WARE

NO SPAM


To send a file, just drop it on the ComBOT.
Here you can chat and find your complete communication history.
Say more without words: Send animated messages to your friends and family.
Send media messages to your friends.
YOUR FRIENDS AS YOUR FAVORITE HEROES DIRECTLY ON YOUR DESKTOP.
If you want to change the appearance of your ComBOT, click on the mask and choose a character from your collection.
Here you can make free calls or send voice messages with only one click.
If you want to invite more friends, just click on this symbol.
Our product
Our business model
Our potential
Tue, March 27, 2007, 14:03

INCREDIBLY EASY TO USE.

ENJOY THE INTUITIVE & EASY-TO-USE DESIGN OF A POWERFUL COMMUNICATION TOOL.

MORE THAN E-MAIL AND INSTANT MESSAGING PLUS FILE TRANSFER DELUXE.

THE EASIEST WAY TO SEND FILES & MEDIA: CHOOSE FILE, DRAG AND DROP IT.

EVERYTHING WITH JUST ONE CLICK:
SIMPLY SEND PHOTOS, FOLDERS AND XXL FILES: DRAG & DROP, SHORT COMMENT – IT'S DONE!
NO MATTER WHAT: COMBOTS DELIVERS! CALL FOR FREE OR SEND MEDIA MESSAGES WITH PHOTOS, VOICE OR FILES!

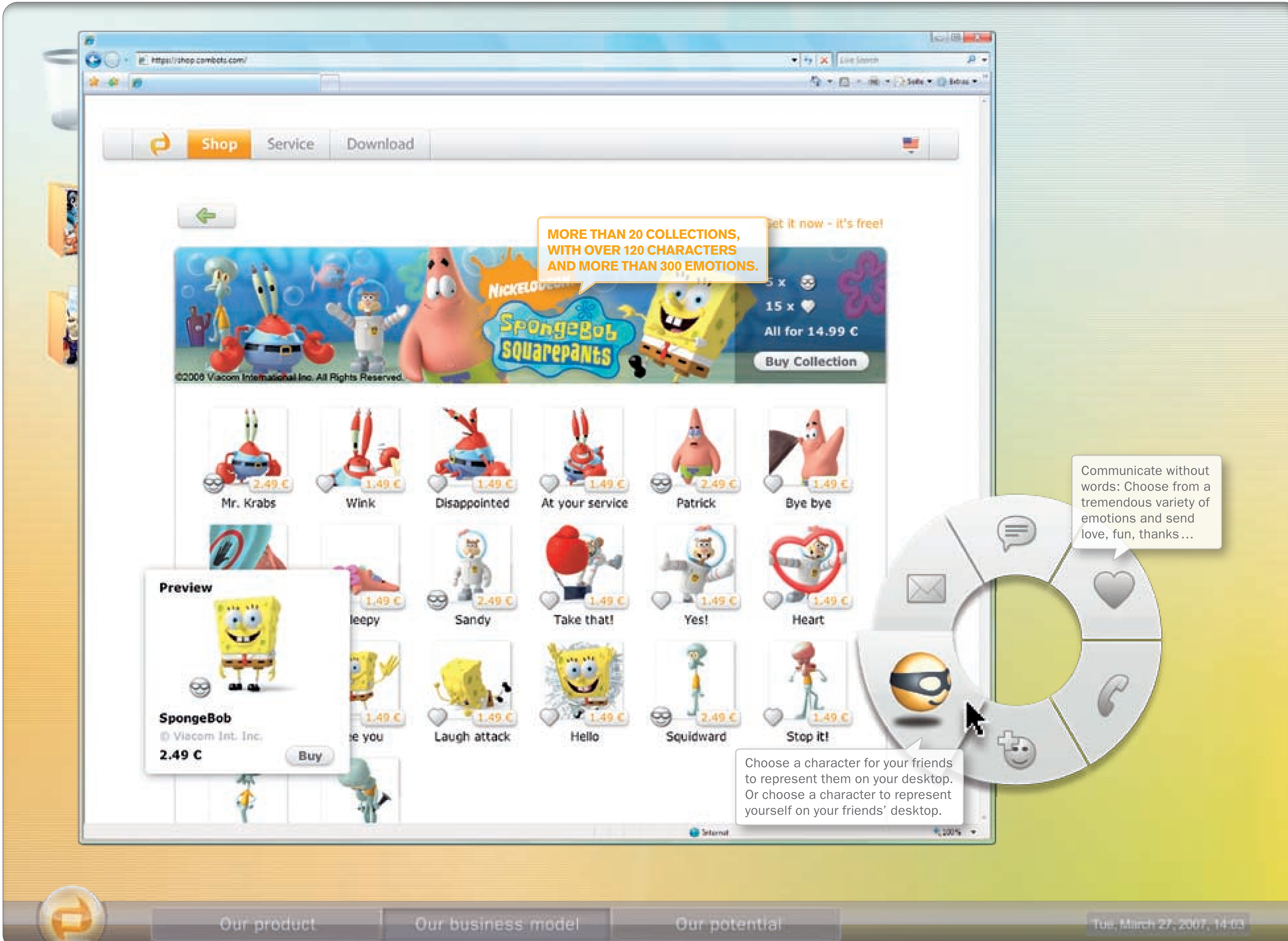
XXL FILES

Heidi
Our product
Our business model
Our potential
Tue, March 27, 2007, 14:03

NO MATTER WHAT – COMBOTS DELIVERS! ALWAYS AND EVERYWHERE!

NO MATTER WHETHER YOU OR YOUR FRIENDS ARE ONLINE OR OFFLINE OR USE MORE THAN ONE PC. COMBOTS WILL TAKE CARE!

USE COMBOTS EVERYWHERE: ON YOUR HOME PC, ON YOUR OFFICE PC, ON YOUR LAPTOP, ON A REGULAR USB STICK AND SOON EVEN ON YOUR MOBILE PHONE. MESSAGES & DATA ARE AUTOMATICALLY SYNCED ON ALL YOUR DEVICES.



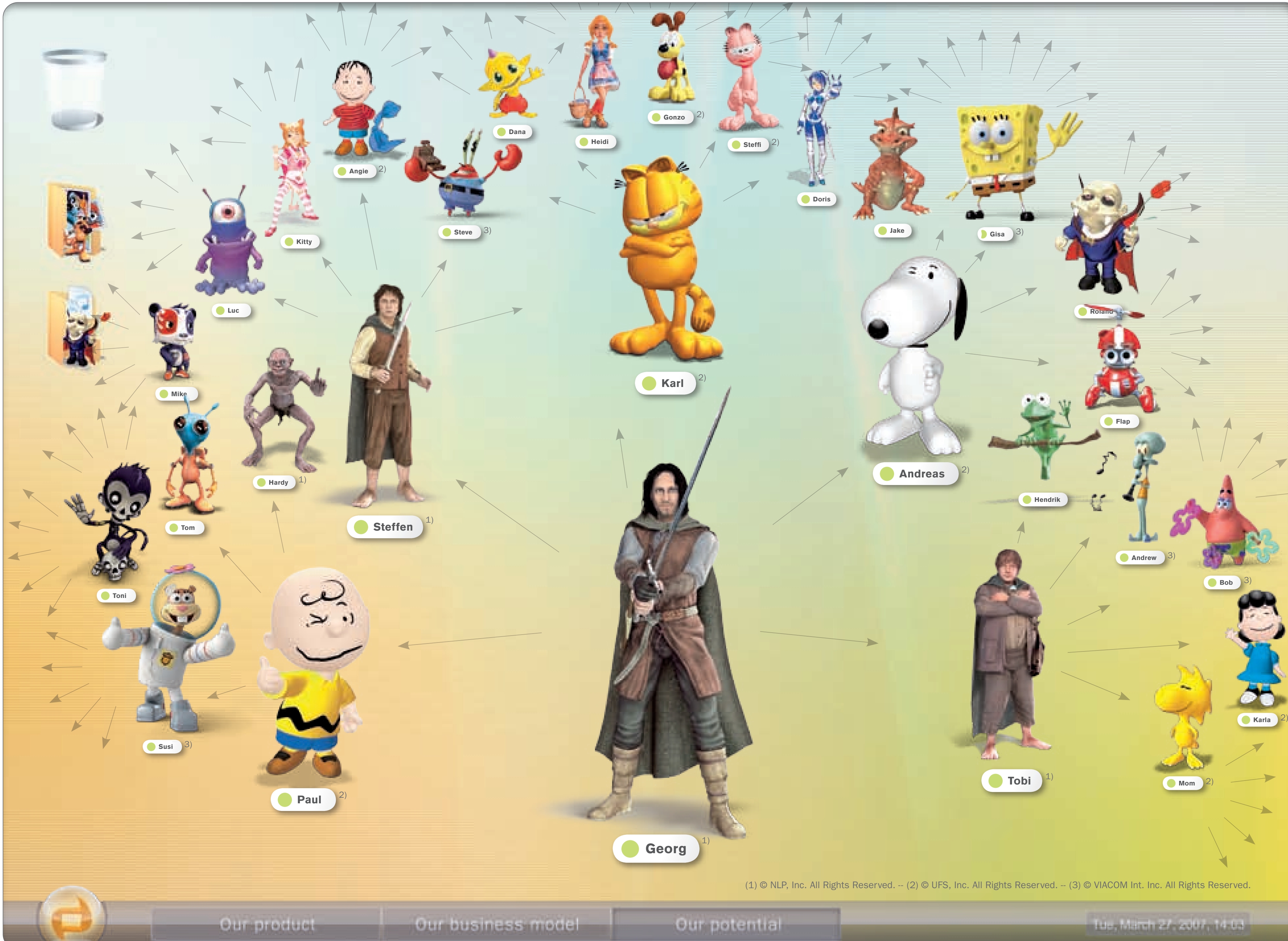
Shop
Service
Download
Get it now - it's free!
MORE THAN 20 COLLECTIONS, WITH OVER 120 CHARACTERS AND MORE THAN 300 EMOTIONS.
SpongeBob SquarePants
15 x
All for 14.99 €
Buy Collection
©2006 Viacom International Inc. All Rights Reserved.
Mr. Krabs 2.49 €
Wink 1.49 €
Disappointed 1.49 €
At your service 1.49 €
Patrick 2.49 €
Bye bye 1.49 €
Sandy 2.49 €
Take that! 1.49 €
Yes! 1.49 €
Heart 1.49 €
Laugh attack 1.49 €
Hello 1.49 €
Squidward 2.49 €
Stop it! 1.49 €
Preview
SpongeBob
© Viacom Int. Inc.
2.49 €
Buy
Communicate without words: Choose from a tremendous variety of emotions and send love, fun, thanks …
Choose a character for your friends to represent them on your desktop. Or choose a character to represent yourself on your friends' desktop.
Our product
Our business model
Our potential
Tue, March 27, 2007, 14:03

EXPRESS YOURSELF!

LET **YOUR FRIENDS** BECOME **YOUR FAVORITE CHARACTERS** RIGHT ON YOUR DESKTOP. OR APPEAR ON YOUR FRIENDS' DESKTOP AS YOU LIKE: CRAZY, CUTE, COOL OR MODERN.

EXPLORE THE **FREE STARTER SET** OF CHARACTERS & EMOTIONS OR FIND A **TREMENDOUS VARIETY** IN THE SHOP.

THE FIRST LICENSING PARTNERSHIPS HAVE BEEN ENTERED INTO. WE CAN NOW OFFER THE ANIMATED 3D CHARACTERS & EMOTIONS FROM **THE LORD OF THE RINGS,** CULT CARTOON **SPONGEBOB,** THE EVER-POPULAR **GARFIELD** AND **PEANUTS** IN OUR SHOP – AND THIS IS JUST THE BEGINNING!



Angie 2)
Dana
Heidi
Gonzo 2)
Steffi 2)
Doris
Kitty
Steve 3)
Luc
Jake
Gisa 3)
Karl 2)
Roland
Mike
Hardy 1)
Steffen 1)
Andreas 2)
Flap
Hendrik
Tom
Andrew 3)
Bob 3)
Toni
Susi 3)
Paul 2)
Georg 1)
Tobi 1)
Karla 2)
Mom 2)
(1) © NLP, Inc. All Rights Reserved. -- (2) © UFS, Inc. All Rights Reserved. -- (3) © VIACOM Int. Inc. All Rights Reserved.
Our product
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Tue, March 27, 2007, 14:03

COMBOTS USES THE POWER OF PERSONAL RELATIONSHIPS

THE “SMALL WORLD PHENOMENON” MEANS THAT ANYONE ON EARTH IS CONNECTED TO ANY OTHER PERSON BY AN AMAZINGLY SHORT CHAIN OF RELATIONS.

AND THE LAWS OF MATHEMATICS.

ANYONE ON EARTH CAN BE REACHED THROUGH A CHAIN OF SIX FRIEND-TO-FRIEND RELATIONS. THE INITIAL COMBOTS USERS INVITE 5-10 FRIENDS TO COMBOTS, THOSE FRIENDS INVITE 5-10 OF THEIR FRIENDS, WHO IN TURN…

WITH A MATURE PRODUCT AND A BROAD PORTFOLIO OF NEW FEATURES AND COLLECTIONS COMBOTS ENTERS THE NEXT PHASE OF ITS MARKET LAUNCH.


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
Matthias Hornberger
Executive VP Corporate Affairs and Executive Board member of ComBOTS AG, is responsible for Corporate Affairs and Investor Relations
Heiko Schneefeld
CTO and Managing Director of ComBOTS Product GmbH & Co. KG, is responsible for IT
Michael 1)
Frank
Robert 2)
Matthias 1)
Heiko
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Tue, March 27, 2007, 14:03

WE ARE COMBOTS.

WE ARE WORKING ON THE INTERNET OF THE FUTURE.

150 PASSIONATE AND HIGHLY QUALIFIED EMPLOYEES.

WITH A CLEAR VISION.
WITH A FASCINATING PRODUCT.
WITH A SIMPLE AND USER-FRIENDLY BUSINESS MODEL.

AND WITH A STRONG TEAM.

WE CREATED WEB.DE AND TURNED IT INTO GERMANY'S LEADING INTERNET PORTAL. NOW WE HAVE STARTED COMBOTS, WITH CAREFUL PREPARATION AND A DEEP KNOWLEDGE OF WHAT COUNTS TO MAKE DIGITAL COMMUNICATION TRULY EXCITING.

ComBOTS AG
info@combots.com

Amalienbadstraße 41
D-76227 Karlsruhe

Concept & Design

Strichpunkt, Stuttgart

WE ARE ComBOTS

ANNUAL REPORT 2006
ComBOTS AG

comBOTS®

ComBOTS AG ANNUAL REPORT 2006

AT A GLANCE in million €

	2006	2005
REVENUES	0	0.6
COST OF SALES	0	–0.1
GROSS OPERATING PROFIT	0	0.5
MARKETING AND ADVERTISING	–6.8	–0.7
GENERAL ADMINISTRATION COSTS	–5.3	–4.0
RESEARCH AND DEVELOPMENT	–31.0	–13.1
OPERATING RESULT	–43.1	–17.3
RESULT FROM CONTINUING OPERATIONS	–33.3	–12.8
RESULT FROM DISCONTINUED OPERATIONS	0	285.9
NET RESULT FOR THE YEAR	–33.3	273.1
LIQUID FUNDS AND OTHER SECURITIES	462.7	439.0
SHAREHOLDERS’ EQUITY	488.5	428.9
BALANCE SHEET TOTAL	562.5	476.7

FISCAL 2006 WAS MARKED BY FORWARD-LOOKING INVESTMENTS IN THE STRUCTURING OF THE ORGANIZATION, PRODUCT DEVELOPMENT AND PREPARATORY WORK FOR THE PRODUCT LAUNCH AND THE PUBLIC BETA PHASE.

Tue, March 27, 2007, 14:03

COMBOTS IS THE NEXT GENERATION COMMUNICATION TOOL,

COMBOTS HAS ONE OF EUROPE'S MOST POWERFUL DATA CENTERS

BASED ON ONE-TO-ONE CONNECTIONS TO FRIENDS AND FAMILY. POWERFUL, FUN AND EASY TO USE.

A SECURE CONNECTION BETWEEN TWO COMMUNICATION PARTNERS

F10 F11 F12

COMBOTS IS MORE THAN E-MAIL, MORE THAN INSTANT MESSAGING PLUS FILE TRANSFER DELUXE – COMBINED WITH THE BEST FROM HOLLYWOOD FOR YOUR PC AND SOON ALSO FOR MANY MOBILE PHONES.

NO SPY WARE

INVITATION ONLY

NO AD WARE

GUARANTEED DELIVERY!

XXL FILES

PERFECT SYNC

NO SPAM

Dear Shareholders,

A digital revolution is on its way, influencing everyone's daily life. The complexity of the existing applications often spoils all the fun of digital communication. We want to change that and help people all over the world to communicate better. With ComBOTS you can gather your friends on your desktop, send anything via drag & drop, share your emotions, make calls or exchange messages with just one click. It is incredibly easy to use, extremely powerful, a lot of fun and 100% spam-free.
ComBOTS is the next generation communication tool: more than e-mail, more than instant messaging, file transfer deluxe and the best from Hollywood, always and everywhere – on all your devices automatically synced.

A fascinating product
The year 2006 has been a major milestone for our company and our service for personal digital communication. After intensive preparation and investments in product and business development throughout the first half of the year, we presented our new service at the Annual General Meeting on July 13, 2006. The premiere sparked wide public interest and marked the beginning of the step-by-step market launch of our personal digital communication service. Another major milestone was the start of the Public Beta version of ComBOTS at the IFA consumer electronics show in Berlin on September 1.

Throughout the year, we have prepared ourselves for the anticipated growth by building our data center, as well as our network and server infrastructure. All of this has been completed during the third quarter, in line with our rollout plan.

Moreover, we have created a completely new organization prepared for the challenges of future growth. This was of vital importance after the transfer of the vast majority of people to our strategic alliance partner United Internet in late 2005, thereby concluding the Portal transaction. Having started with a nucleus of dedicated people, we employed 150 highly qualified and motivated employees by the end of 2006.

One special highlight of the second half of the year 2006 was the conclusion of our first licensing agreements: Partnering with Viacom International, New Line Cinema, Paws and United Media. We succeeded in convincing four of the most famous global licensors to integrate their characters into ComBOTS. With heroes from The Lord of the Rings, cult cartoon SpongeBob, the ever-popular Garfield and Peanuts, we certainly expect to attract even more people of all ages to use our service. First licensed collections are already available in our shop at shop.combots.com.

A sound financial basis
Fiscal 2006 was characterized by forward-looking investments in both business and product development as well as the staging of the product launch and the public beta phase. These upfront investments were necessary for both the initial launch of the service and the company.

Thanks to the sale of our Portal business in 2005, the development of our product is based on an extremely sound financial foundation: Liquid assets for the year ended December 31, 2006, amounted to EUR 463 million (year-end 2005: EUR 439 million). These funds break down into EUR 173 million in cash and equivalents as well as EUR 290 million for the 9.3% share in United Internet AG that we continue to hold.

Following the extraordinary efforts to deliver the new service in Q2 and Q3, we projected a significant reduction in the cost base in Q4. Indeed, the net loss decreased quarter-to-quarter by 36% to EUR 7.9 million. We now continuously direct the company towards standard operation. For the full year 2006, the investments in our product, the completion of the network and server infrastructure, as well as the setup of the organization resulted in earnings before tax of EUR –35 million.

This result compares to an unrealized increase in the market value of our United Internet shareholding by EUR 102 million or 54% during the same period. Since the conclusion of the strategic alliance, the value of our stake in the German internet market leader has increased by 88%.

Bearing in mind the forthcoming challenges relating to the broad distribution of our product and, in addition, the currently unforeseeable financing requirements for the planned international expansion, the Executive Board and the Supervisory Board suggest the retained earnings be carried forward completely to new accounts to provide a solid base for consistent utilization of the market opportunities resulting from the development of our product.

What lies ahead ...

2006 was the year we brought ComBOTS to life – both as a service for personal digital communication as well as a fully-fledged, growth-oriented organization. This has proved to be a demanding and fruitful experience. Together we can now look back on a period in which we laid the foundations for our future success.

We are now in an excellent position to take the next major steps of our strategy. We are focused on developing ComBOTS into an international success story. However, the creation of significant value always calls for extraordinary endeavors and we are determined to undertake them.

We are happy to have all of you with us, both as users and as proud shareholders. Your confidence and your support are extremely valuable to us. We will continue to do our very best for the company and for the product.

MICHAEL GREVE, CHAIRMAN AND FOUNDER

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the course of fiscal 2006 the Supervisory Board of ComBOTS AG has again fulfilled the tasks required of it by the company bylaws, the internal rules of procedure and the law. It has maintained a 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 course of fiscal 2006 the Supervisory Board had intensive discussions on major business transactions with the Executive Board, monitored the company's management and sought explicit information about ComBOTS AG's business plans. At the same time, aside from the Supervisory Board meetings, I personally was in regular contact with the Executive Board and informed myself about the company's strategy, 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 fiscal 2006 the Supervisory Board held a total of eight meetings. No Supervisory Board member attended less than half the meetings. Generally speaking the plenary meeting also concerned itself with examining the efficiency of the Supervisory Board on a regular basis. Issues discussed by the board during the previous fiscal year included the company's ongoing fundamental development, the development in sales revenues, results and employment as well as the financial situation of ComBOTS AG. After the sale of the Portal Business to United Internet in 2005 the Supervisory Board focused more particularly on supporting and monitoring the organizational and product related build-up of the new business line Personal Digital Communication. Both before and after the product presentation and the launch of the Public Beta version, the Supervisory Board has been informed about the product development and the market rollout.

At the ordinary Annual General Meeting of July 13, 2006, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim, was appointed independent auditor for fiscal 2006. ComBOTS AG's financial statements as at December 31, 2006, along with the management report and the consolidated financial statements as of December 31, 2006 and the Group management report were audited by the independent auditor. 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. During the meeting the auditor gave an account of the most relevant findings of the audit. The Supervisory Board noted with approval the results of the audit by the auditor. Additionally, the Supervisory Board assured itself of the auditor's independence and obtained a written statement to that effect.

The financial statements and the consolidated financial statements of ComBOTS AG for fiscal 2006, together with the management reports and the proposal of the Executive Board for the appropriation of the balance sheet profit, were examined in depth 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 26, 2007 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.

p. 7

The Executive Board of ComBOTS AG also presented the Supervisory Board with its report for fiscal 2006 on relations with associated companies and presented the corresponding audit report by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft. In its report on the audit of the report about relations with affiliated companies, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, 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,
(2) the consideration given by the company concerning the legal transactions specified in the report was not unreasonably high
(3) the measures outlined in the report constitute no grounds for a significantly different assessment from that of the Executive Board."

The Supervisory Board 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.

In the management report for ComBOTS AG and the Group, the Executive Board made statements in accordance with § 315 (4) Handelsgesetzbuch (German Commercial Code, HGB), and explained them. The statements relate especially to the provisions for the appointment and dismissal of the members of the Executive Board, to the amendment of the Articles of Association, the powers of the Executive Board, especially regarding the possibility to issue or buy back shares, as well as the composition of the share capital. The Supervisory Board reviewed these statements and explanations. As a result of our review, we confirm that the disclosures in accordance with § 315 (4) HGB as well as the explanations given by the Executive Board are correct. The supervisory board does not find it necessary to make any additional statement in respect hereof.

Transparency, responsible and value-oriented corporate management and control are summarized 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 15, 2006. This 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 8 ff. of this Annual Report the Executive Board and the Supervisory Board report on Corporate Governance at ComBOTS in accordance with Clause 3.10 of the German Corporate Governance Code as amended on June 12, 2006.

At this point the Supervisory Board of ComBOTS AG would like to thank the Executive Board and all employees of ComBOTS AG for their especially high level of commitment, their enormous motivation and their successful work in the 2006 reporting year.

Karlsruhe, March 26, 2007
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 has deep roots. It has a long tradition and hence enjoys 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 in Germany, a modern capital market and business location. ComBOTS AG welcomes the German Corporate Governance Code, which sets out the essential statutory provisions regarding the management and supervision of listed German companies and which contains internationally and nationally recognized standards of good and responsible corporate management. ComBOTS AG was one of the first companies to implement the Code in 2002. 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 15, 2006; this declaration was also published and made permanently accessible on ComBOTS AG's website www.combots.com. It states that with minimal 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.

Directors-and-Officers Insurance

By way of deviation from Clause 3.8 of the Code, the existing Directors-and-Officers insurance of ComBOTS AG does not provide for a deductible of the insured members of the Executive and Supervisory Board. ComBOTS has, however, obtained personal undertakings from the insured members of the Executive and Supervisory Board in respect of the payment of a reasonable amount in cases in which an insured loss is caused by an infringement of statutory duties of care by an insured member of the Executive or Supervisory Board. This does not involve any restriction of liability vis-à-vis the company or third parties.

Publication of interim and annual reports

By way of deviation from the recommendations of the Code (Clause 7.1.2), the Annual Report for fiscal 2005 was published after the expiration of the 90-day period recommended by the Code but within the statutory period of four months after the end of the fiscal year. All three interim reports for fiscal 2006 were published within the 45-day period recommended by the Code, namely within three weeks (Q1 and Q3) or four weeks (Q2) of the end of the respective quarter.

Shareholders

ComBOTS AG guarantees its shareholders the highest possible transparency. Hence, the company publishes a financial calendar showing the most important dates. This calendar is published within the Annual and Quarterly Reports as well as on the company's website.

As in past years, the company has simplified the personal exercise of voting rights by the shareholders. For those shareholders who did not want or who were unable to exercise their voting right themselves, the company has nominated a non-discretionary proxy. Furthermore, parts of the annual general meeting on July 13, 2006 were broadcast live on the Internet.

Close cooperation between the Executive Board and the 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 each other on the issues recommended by the Code but also on other issues beyond these. This means 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 the 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 internal rules of 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 permits 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 with 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 the Executive Board and the Supervisory Board

Since the fiscal 2003 the Executive Board and Supervisory Board have received performance-related remuneration as recommended by the Code. In fiscal 2006 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 operational result and the future prospects of ComBOTS AG. All components of the remuneration package are appropriate, both jointly and severally.

The company publishes both the total and the individual remuneration of the Executive and Supervisory Boards including their stock options (Clauses 4.2.4 and 5.4.5). Details about individual remuneration can be found in the Notes of this Annual Report on pages 52 f.

Furthermore, stock options are not limited in the event of unforeseen developments, contrary to the recommendation in the Code (Clause 4.2.3).

In 2006 the fixed remuneration of the entire Executive Board was EUR 750,000. 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 52 f. 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. This is determined by the annual increase in the company's market capitalization. As soon as the market capitalization crosses the threshold of approximately EUR 510 million, at the end of that year Michael Greve will receive a bonus of some EUR 12,800 for every full increase in market capitalization by a further EUR 51 million.

In 2006 the fixed remuneration of the entire Supervisory Board, consisting of three members, was EUR 57,000. 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 approved, up to a maximum of EUR 10,000. 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 EUR 500 for each 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 raises the confidence and trust of all persons connected with ComBOTS AG. It is not only the Supervisory Board and the Executive Board that 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 whilst 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 2006 financial statements, 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.

The Executive Board and Supervisory Board of ComBOTS AG
Karlsruhe, March 2007

LIST OF SHAREHOLDINGS OF ComBOTS AG in T €
(CORPORATE GOVERNANCE CODE SECTION 7.1.4)

	Share in %	Equity as of 12/31/2006	Result 2006
ComBOTS CORPORATE SERVICES GMBH, KARLSRUHE (PREVIOUSLY B2ABC PERFORMANCE GMBH, KARLSRUHE)	100	2,040	4
ComBOTS CUSTOMER CARE GMBH, KARLSRUHE	100	24	–1
ComBOTS DATA CENTER GMBH, KARLSRUHE	100	24	–1
ComBOTS HOLDING GMBH & CO. KG, KARLSRUHE	100	12,783	–4
ComBOTS INTERNATIONAL GMBH, KARLSRUHE	100	246	–4
ComBOTS MANAGEMENT GMBH, KARLSRUHE	100	25	–1
ComBOTS PAYMENT SERVICES GMBH, KARLSRUHE	100	23	–2
ComBOTS PRODUCT GMBH & CO. KG, KARLSRUHE	100	10,161	0
ComBOTS PRODUCT MANAGEMENT GMBH, KARLSRUHE	100	29	2
INFORMIA AG, KARLSRUHE	100	2,161	372
INFORMIA ASSETS GMBH, KARLSRUHE	100	921	457
INTERNET-ABRECHNUNG.DE GMBH, KARLSRUHE	100	20	20
UNITED INTERNET AG, MONTABAUR*	9	391,707	106,507

* All data for fiscal 2005

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BALANCE SHEET ASSETS in T €

	Notes *	12/31/2006	12/31/2005
LONG-TERM ASSETS			
/ TANGIBLE ASSETS	(12)	33,983	23,669
/ INTANGIBLE ASSETS	(13)	5,748	567
/ SHAREHOLDINGS IN ASSOCIATED COMPANIES	(10)	0	332
/ LOANS	(9)	348	498
/ INVESTMENT SECURITIES	(10)	364,545	247,947
TOTAL LONG-TERM ASSETS		**404,624**	**273,013**
SHORT-TERM ASSETS			
/ CASH AND CASH EQUIVALENTS	(7)	38,152	150,757
/ MARKETABLE SECURITIES	(10)	59,990	40,325
/ TRADE ACCOUNTS RECEIVABLE	(9)	34	2,178
/ RECEIVABLES FROM ASSOCIATED COMPANIES	(9)	0	194
/ TAX REFUND CLAIMS	(9)	2,535	1,670
/ OTHER ASSETS AND PREPAID EXPENSES	(9)	57,128	8,531
TOTAL SHORT-TERM ASSETS		**157,839**	**203,655**
TOTAL ASSETS		**562,463**	**476,668**

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BALANCE SHEET LIABILITIES in T €

	Notes *	12/31/2006	12/31/2005
SHAREHOLDERS' EQUITY			
/ ORDINARY SHARES, THEORETICAL VALUE € 1	(16)	38,429	38,361
/ CAPITAL RESERVES	(16), (17)	104,776	104,373
/ OTHER RESERVES	(16)	129,050	32,523
/ BALANCE SHEET PROFIT/LOSS		236,456	269,795
/ TREASURY SHARES	(16)	–20,255	–16,175
TOTAL SHAREHOLDERS' EQUITY		**488,456**	**428,877**
LONG-TERM LIABILITIES			
/ DUE TO BANKS FROM THE PROPERTY LEASING COMPANY	(15)	11,849	12,269
TOTAL LONG-TERM LIABILITIES		**11,849**	**12,269**
SHORT-TERM LIABILITIES			
/ TRADE ACCOUNTS PAYABLE	(9)	1,939	9,808
/ PROVISIONS	(14)	1,930	2,263
/ TAX PROVISIONS	(14)	36	18,095
/ OTHER SHORT-TERM LIABILITIES	(9)	58,253	5,356
TOTAL SHORT-TERM LIABILITIES		**62,158**	**35,522**
TOTAL LIABILITIES		**562,463**	**476,668**

* The Notes constitute an integral part of the consolidated financial statements.

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CONSOLIDATED PROFIT AND LOSS STATEMENT FOR 2006 in T €

	Notes *	2006	2005
REVENUES	(18)	0	616
COST OF SALES	(18)	0	–102
GROSS OPERATING PROFIT		**0**	**514**
MARKETING AND ADVERTISING	(18)	–6,830	–670
GENERAL ADMINISTRATION COSTS	(18)	–5,270	–3,983
RESEARCH AND DEVELOPMENT	(18)	–31,001	–13,146
OPERATING RESULT		**–43,101**	**–17,285**
FINANCIAL INCOME	(10)	6,999	4,586
FINANCIAL EXPENSES	(10)	–610	–640
NET INCOME FROM ASSOCIATED COMPANIES	(8)	758	–85
RECOGNITION OF DEBIT DIFFERENCE	(8)	586	0
NET RESULT BEFORE TAXES		**–35,368**	**–13,424**
TAX INCOME	(18)	2,029	614
NET RESULT FOR THE YEAR FROM CONTINUING ACTIVITIES		**–33,339**	**–12,810**
RESULT FROM DISCONTINUED ACTIVITIES	(6)	0	285,935
NET PROFIT/LOSS FOR THE YEAR		**–33,339**	**273,125**
EARNINGS PER SHARE			
/ undiluted	(21)	–0,93	7,60
/ diluted	(21)	–0,91	7,44
AVERAGE NUMBER OF SHARES UNDILUTED	(21)	**35,700,458**	**35,942,704**
AVERAGE NUMBER OF SHARES DILUTED	(21)	**36,546,294**	**36,705,208**

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CONSOLIDATED CASH FLOW STATEMENT FOR 2006 in T €

	Notes*	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES			
NET INCOME/LOSS FOR THE YEAR		**–33,339**	**273,125**
RESULT FROM SALE OF THE INTERNET PORTAL BUSINESS LINE		0	–276,707
INCOME FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	(8)	–758	85
RESULT FROM BADWILL	(8)	–586	0
INTEREST INCOME	(10)	–6,999	–4,586
INTEREST EXPENSES	(10)	610	640
TAX INCOME	(18)	–2,029	–614
AMORTIZATION OF INTANGIBLE AND TANGIBLE ASSETS	(12), (13)	6,603	6,734
DISPOSAL OF ASSETS		12	0
EXPENSES FROM EMPLOYEE STOCK OPTION PLAN	(17)	149	120
RESULT FROM THE SALE OF MARKETABLE SECURITIES	(10)	1,333	392
CHANGES IN TRADE ACCOUNTS RECEIVABLE		859	3,377
CHANGES IN RECEIVABLES FROM RELATED COMPANIES		194	–68
CHANGES IN OTHER ASSETS AND PREPAID EXPENSES		2,342	–6,671
CHANGES IN SHORT-TERM LIABILITIES AND DEFERRED INCOME		–3,894	6,235
TAXES PAID	(7)	–2,428	0
CASH FLOW FROM OPERATING ACTIVITIES		**–37,931**	**2,062**

*The Notes constitute an integral part of the consolidated financial statements.

> Consolidated Cash Flow Statement continued

CONSOLIDATED CASH FLOW STATEMENT FOR 2006 in T €

	Notes *	2006	2005
CASH FLOW FROM INVESTING ACTIVITIES			
CASH FLOW (FROM SALE OF PORTAL BUSINESS LINE)		0	153,075
INVESTMENTS IN INTANGIBLE ASSETS	(13)	–6,170	–3,347
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	(12)	–15,943	–10,085
CHANGES IN INVESTMENT AND MARKETABLE SECURITIES	(10)	–37,594	–11,060
DIVIDENDS RECEIVED	(10)	1,450	0
ACQUISITION OF SHAREHOLDINGS MINUS LIQUID FUNDS RECEIVED	(8)	1,911	0
ACQUISITION OF MINORITY SHAREHOLDINGS	(8)	–54	
DISBURSEMENTS IN CONNECTION WITH THE BUSINESS LINE DISCONTINUED DURING PRIOR YEAR	(6)	–20,177	0
CASH FLOW FROM INVESTING ACTIVITIES		**–76,577**	**128,583**
CASH FLOW FROM FINANCING ACTIVITIES			
CAPITAL INCREASES	(17)	322	706
ACQUISITION OF TREASURY SHARES	(16)	–4,079	–3,172
REPAYMENT OF LIABILITIES OF THE PROPERTY LEASING COMPANY	(15)	–420	108
REPAYMENT OF LOANS		150	207
INTEREST RECEIVED	(10)	6,540	5,390
INTEREST PAID	(10)	–610	–640
CASH FLOW FROM FINANCING ACTIVITIES		**1,903**	**2,599**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		–112,605	133,244
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		150,757	17,513
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**38,152**	**150,757**

* The Notes constitute an integral part of the consolidated financial statements.

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DEVELOPMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY 2006 in T €

	Ordinary shares	Capital reserves	Other reserves	Balance sheet profit/loss	Treasury shares	TOTAL
JANUARY 1, 2005	**38,203**	**103,164**	**483**	**–3,330**	**–13,003**	**125,517**
CAPITAL INCREASE FROM CONTINGENT CAPITAL	158	548				706
ACQUISITION OF TREASURY SHARES					–3,172	–3,172
EFFECTS OF EMPLOYEE STOCK OPTION PLAN		661				661
CHANGES IN SHAREHOLDERS' EQUITY FROM AVAILABLE FOR SALE SECURITIES NOT AFFECTING THE NET INCOME			32,040			32,040
NET INCOME FOR THE YEAR				273,125		273,125
DECEMBER 31, 2005	**38,361**	**104,373**	**32,523**	**269,795**	**–16,175**	**428,877**
CAPITAL INCREASE FROM CONTINGENT CAPITAL	68	254				322
ACQUISITION OF TREASURY SHARES					–4,080	–4,080
EFFECTS OF EMPLOYEE STOCK OPTION PLAN		149				149
CHANGES IN SHAREHOLDERS' EQUITY FROM AVAILABLE FOR SALE SECURITIES NOT AFFECTING THE NET INCOME			96,527			96,527
NET INCOME FOR THE YEAR				–33,339		–33,339
DECEMBER 31, 2006	**38,429**	**104,776**	**129,050**	**236,456**	**–20,255**	**488,456**

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SCHEDULE OF CHANGES IN GROUP FIXED ASSETS in T €

	Cost of acquisition and production					Amortization and depreciation					Net book value	
	1/1/2006	Additions	Disposals	Transfers	12/31/2006	1/1/2006	Additions (+) Write-up (-)	Disposals	Transfers	12/31/2006	12/31/2006	12/31/2005
INTANGIBLE ASSETS												
Licenses and similar intangible assets	567	3,511	1	0	4,077	0	988	0	0	988	3,089	567
Self-developed intangible assets	0	2,659	0	0	2,659	0	0	0	0	0	2,659	0
	567	**6,170**	**1**	**0**	**6,736**	**0**	**988**	**0**		**988**	**5,748**	**567**
FIXED ASSETS												
Property, leasehold rights and buildings	18,106	50	25	–232	17,899	2,273	592	12	–6	2,847	15,053	15,833
Plant and machinery	8,070	14,506	0	341	22,917	2,846	4,431	0	42	7,319	15,598	5,224
Other equipment	3,848	775	0	–109	4,514	1,236	594	0	–36	1,794	2,720	2,612
Payments on account and plants under construction	0	612	0	0	612	0	0	0	0	0	612	0
	30,024	**15,943**	**25**	**0**	**45,943**	**6,355**	**5,617**	**12**	**0**	**11,960**	**33,983**	**23,669**
FINANCIAL ASSETS												
Shareholdings in affiliated companies	48	0	0	0	48	48	0	0	0	48	0	0
Shareholdings in associated companies	332	0	332	0	0	0	0	0	0	0	0	332
Other loans	498	0	150	0	348	0	0	0	0	0	348	498
Investment securities	213,657	35,202	16,554	0	232,305	–34,290	–97,896	54	0	–132,240	364,545	247,947
	214,535	**35,202**	**17,036**	**0**	**232,701**	**–34,242**	**–97,896**	**54**	**0**	**–132,192**	**364,893**	**248,777**
	245,126	**57,315**	**17,062**	**0**	**285,380**	**–27,887**	**–91,291**	**66**	**0**	**–119,244**	**404,624**	**273,013**

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> Schedule of changes in Group fixed assets continued

SCHEDULE OF CHANGES IN GROUP FIXED ASSETS in T €

	Cost of acquisition and production					Amortization and depreciation					Net book value	
	1/1/2006	Additions	Disposals	Transfers	12/31/2006	1/1/2006	Additions (+) Write-up (-)	Disposals	Transfers	12/31/2006	12/31/2006	12/31/2005
INTANGIBLE ASSETS												
Licenses and similar intangible assets	9,154	3,347	11,934	0	567	6,568	1,426	7,994	0	0	567	2,586
Self-developed intangible assets	9,240	0	9,240	0	0	2,491	0	2,491	0	0	0	6,749
	18,394	**3,347**	**21,174**	**0**	**567**	**9,059**	**1,426**	**10,485**	**0**	**0**	**567**	**9,335**
FIXED ASSETS												
Property, leasehold rights and buildings	18,608	2,146	2,648	0	18,106	1,297	2,041	1,065	0	2,273	15,833	17,311
Plant and machinery	20,822	6,559	19,311	0	8,070	13,764	2,252	13,170	0	2,846	5,224	7,058
Other equipment	6,085	1,380	3,617	0	3,848	2,715	1,015	2,494	0	1,236	2,612	3,370
Payments on account and plants under construction	0	0	0	0	0	0	0	0	0	0	0	0
	45,515	**10,085**	**25,576**	**0**	**30,024**	**17,776**	**5,308**	**16,729**	**0**	**6,355**	**23,669**	**27,739**
FINANCIAL ASSETS												
Shareholdings in affiliated companies	48	0	0	0	48	48	0	0	0	48	0	0
Shareholdings	11,511	0	11,511	0	0	11,511	0	11,511	0	0	0	0
Shareholdings in associated companies	417	0	85	0	332	0	0	0	0	0	332	417
Other loans	705	0	207	0	498	0	0	0	0	0	498	705
Investment securities	63,124	210,969	26,146	0	247,947	0	0	0	0	0	247,947	63,124
	75,805	**210,969**	**37,949**	**0**	**248,825**	**11,559**	**0**	**11,511**	**0**	**48**	**248,777**	**64,246**
	139,714	**224,401**	**84,699**	**0**	**279,416**	**38,394**	**6,734**	**38,725**	**0**	**6,403**	**273,013**	**101,320**

ComBOTS AKTIENGESELLSCHAFT KARLSRUHE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2006

1. The Parent Company
Since 2000 ComBOTS AG (previously: WEB.DE AG), Amalienbadstr. 41, 76227 Karlsruhe, has been listed on the stock exchange. In 2005 the then WEB.DE AG sold its well-known German Internet portal WEB.DE to United Internet. Thanks to this transaction and despite investments in the future, the company has the financial strength to continue to pursue its goal of becoming a worldwide successful company for Personal Digital Communication.
In 2006 ComBOTS AG launched both its highly innovative communication service in a public beta version and created a fully developed, growth-oriented technical infrastructure and organization. It hence laid the foundations for future growth.

2. Business activities
The object of the company is the development, operation and marketing of online services and electronic and non-electronic communication and media products in Germany and abroad. For this purpose the company may operate all businesses which are directly or indirectly suitable to further the object of the company. Within the framework of the object of the company, other companies may be set up or acquired in Germany and abroad or shareholdings may be acquired in such companies and all other measures may be taken and legal transactions be undertaken which are necessary or useful to reach and support the object of the company.

3. Accounting principles
Applied accounting standards
The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU. In this connection all standards (International Accounting Standards (IAS) and IFRS) and all valid interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the EU and valid on the reporting date, were taken into account. Furthermore, the provisions under § 315a para 1 HGB (German Commercial Code) were complied with.

The following standards and interpretations were applied for the first time:

Amendments to IAS 19 "Employee benefits"
Since the Group has no performance-based schemes within the meaning of IAS 19, the amendment did not have any impact for ComBOTS.

Amendment to IAS 21 "The effects of changes in foreign exchange rates – net investment in a foreign operation"
The amendment to IAS 21 did not have any impact on the consolidated financial statements.

Amendments to IAS 39 "Fair Value Option and Cash Flow Hedge Accounting"
ComBOTS does not use the fair value option of IAS 39. Nor is cash flow hedging being applied. Consequently, the amendments did not have any impact for ComBOTS.

Amendments to IAS 39 and IFRS 4 "Financial guarantee contracts"
After the revision of IAS 39 and IFRS 4, financial guarantees only come under the scope of application of IAS 39. Depending on their form, financial guarantees came previously either under the scope of application of IAS 39 or IFRS 4.

IFRS 6 "Exploration for and evaluation of mineral resources"
This Standard is not applied to the business operations of the Group.

IFRIC 4 "Determining whether an arrangement contains a lease"
IFRIC 4 was used for the assessment of leasing contracts. The application of the interpretation did not have any impact during the fiscal year.

IFRIC 5 "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
This interpretation does not apply to the business activities of ComBOTS.

IFRIC 6 "Liabilities arising from participating in a specific market – waste electrical and electronic equipment"
The interpretation does not apply to the business activities of ComBOTS.

The group has not yet applied standards and IFRIC interpretations which have already been published but have not yet become effective. In this connection the following differentiation is made:

IFRS and IFRIC Interpretations not yet in force but adopted by the EU within the framework of the Comitology process:

Amendments to IAS 1 "Presentation of financial statements"
The additional reporting obligations which result from IAS 1 "Presentation of financial statements" were not taken into account in the consolidated financial statements. The amendments apply to fiscal years which commence on or after January 1, 2007. The amendment introduces a different presentation for capital developments which needs to be applied from the coming fiscal year onwards.

IFRS 7 "Financial instruments: disclosures"
IFRS 7 regulates the disclosures about financial instruments of both industrial companies and banks as well as similar financial institutions. IFRS 7 replaces IAS 30 "Disclosures in the financial statements of banks and similar financial institutions" as well as the disclosure requirements contained in IAS 32 "Financial instruments, disclosure and presentation". IFRS 7 is to be applied to fiscal years which commence on or after January 1, 2007. The senior management has not yet completed the analysis of the impact of this standard at the time of preparation of the consolidated financial statements.

IFRIC 7 "Applying the re-statement approach under IAS 29 – financial reporting in hyper inflationary economies"
This interpretation is to be used for the first time for fiscal years commencing on or after January 1, 2007. It will probably not have any impact on the consolidated financial statements.

IFRIC 8 "Scope of IFRS 2"
This interpretation must be used for the first time for fiscal years which commence on or after May 1, 2006. The interpretation will probably have no impact on the consolidated financial statements.

IFRIC 9 "Re-assessment of embedded derivatives"
This interpretation must be applied for the first time for fiscal years which commence on or after June 1, 2006. The interpretation will probably have no impact on the consolidated financial statements.

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

IFRS 8 “Operating segments”
IFRS 8 replaces the current standard IAS 14 “Segment reporting”. The identification of the operating segments will in future only be based on the international determination of the company. The Standard will probably have no impact on the consolidated statements.

IFRIC 10 “Interim financial reporting and impairment”
This interpretation must be applied for fiscal years which commence on or after November 1, 2006. The interpretation will probably have no impact on the interim reporting of the group.

IFRIC 11 “Group and treasury share transactions”
This interpretation must be applied for the first time for fiscal years which commence on or after March 1, 2007. The interpretation will probably have no impact on the consolidated financial statements.

IFRIC 12 “Service concession arrangements”
This interpretation must be applied for the first time for fiscal years which commence on or after January 1, 2008. The interpretation will probably have no impact on the consolidated financial statements.

The prior year figures were determined in accordance with the same standards.

Consolidation methods
The accounting, valuation and consolidation methods presented below have been consistently used during all the reporting periods presented here. They were also used consistently by all companies included in the consolidated financial statements.

The consolidated financial statements include ComBOTS AG and all subsidiaries controlled by it. Control is deemed to exist if ComBOTS has the possibility to determine the business and financial policy of the company. Capital consolidation is based on the purchase method; the acquisition costs of a company purchase are offset against the pro rata equity of the subsidiary evaluated at fair value. Subsidiaries are fully consolidated as soon as the Group gains control over the company. Any resulting positive differences are activated as goodwill; negative differences are immediately recognized as income.

All material receivables and liabilities, revenues, expenses and earnings between the included group companies are offset and the interim results are eliminated if they are not realized by third parties. Unrealized profits from transactions with associated companies are eliminated in accordance with the interest held by the group. Unrealized losses are eliminated as unrealized profits but only insofar as there are no impairments.
The necessary tax deferrals under IAS 12 “Income tax” are made in respect of the consolidation measures.

Investments which are not controlled by the company but where it exercises a major influence are reported according to the equity method. Other investments are valued at current market value or, if the latter cannot be determined, at the cost of acquisition.

The fiscal year of the fully consolidated subsidiaries and the associated companies corresponds to the fiscal year of the parent company.

The consolidated financial statements of ComBOTS include the financial statements of the subsidiaries over which ComBOTS can exercise control within the meaning of IAS 27 as well as those of the associated companies in respect of which ComBOTS can exercise major influence within the meaning of IAS 28. This also includes companies in which ComBOTS has no financial interest but which are to be interpreted as special purpose entities (SPEs) as defined by SIC 12 "Consolidation – Special purpose entities" and are therefore included in the consolidated group. For the identification of special purpose entities SIC 12 defines the following indicators:

* Business activities: the business activities of the SPE are carried out from an economic point of view for the benefit of the reporting company which has directly or indirectly set up the SPE for its specific business 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 obtain control, including a certain decision-making power which develops after the SPE has been set up. This decision-making power may be delegated by creating an "autopilot" mechanism.

* Benefit: from an economic point of view the reporting company has the majority benefit of the activity of the SPE in accordance with by-laws, contracts or similar rights. Such rights may be indicators of a control if they are structured for the benefit of a company which carries out transactions with an SPE and if this company definitely benefits from the capital gain of the SPE.

* Risks: risks may be an indicator for a control if the company holds the residual or ownership risks and the investors are only lenders under economic aspects because they are only exposed to a limited extent to profits and loses.

In 2001 Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG was set up by SüdLeasing Immobilien GmbH, Mannheim, a subsidiary of Landesbank Baden-Württemberg (LBBW). The company acquired the land and the building in which the business premises of ComBOTS are located today and has let those since that time to ComBOTS. The base rental period amounts to 20 years. At the end of the base rental period there is on the one hand an option to acquire the land and building for ComBOTS and on the other a put and call option to acquire the shares in Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG by ComBOTS. The company was set up exclusively for the acquisition and letting of the building to ComBOTS and is operated exclusively for that purpose. ComBOTS has no shares in the company. Because of the contractual structure and the business activities of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG the latter has to be included in the consolidated financial statements of ComBOTS as a special purpose entity.

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

NAME / REGISTERED OFFICE OF THE COMPANY

	Share in %
ComBOTS CORPORATE SERVICES GMBH, KARLSRUHE (PREVIOUSLY B2ABC PERFORMANCE GMBH, KARLSRUHE)	100
ComBOTS CUSTOMER CARE GMBH, KARLSRUHE	100
ComBOTS DATA CENTER GMBH, KARLSRUHE	100
ComBOTS HOLDING GMBH & CO. KG, KARLSRUHE	100
ComBOTS INTERNATIONAL GMBH, KARLSRUHE	100
ComBOTS MANAGEMENT GMBH, KARLSRUHE	100
ComBOTS PAYMENT SERVICES GMBH, KARLSRUHE	100
ComBOTS PRODUCT GMBH & CO. KG, KARLSRUHE	100
ComBOTS PRODUCT MANAGEMENT GMBH, KARLSRUHE	100
INFORMIA AG, KARLSRUHE	100
INFORMIA ASSETS GMBH, KARLSRUHE	100
INTERNET-ABRECHNUNG.DE GMBH, KARLSRUHE	100
SARAH GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG, MANNHEIM	0

Presentation method

The consolidated financial statements have been prepared as a matter of principle by applying the historical cost principle. This does not apply to financial assets available for sale which have been valued at their current market value. The consolidated financial statements are reported in EUR (Euro) unless otherwise stated; all values are rounded to thousands of Euros (TEUR). The fiscal year corresponds to the calendar year.

Use of estimates

The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU, requires in some respect estimates or assumptions by the Executive Board which influence the accounting of assets, debts and financial obligations on the balance sheet date as well as income and expenses during the reporting period. The actual amounts and/or developments can deviate from these estimates and assumptions. Concerning the capitalization of development expenses and the assessment of deferred tax assets on tax losses carried forward, estimates were made about the future business development which influence the valuation and assessment of these matters. The same applies to the conduct of impairment tests for tangible and intangible assets. Furthermore, estimates were made concerning the classification of possible payment obligations as provisions or contingent liabilities. The classification is determined by the probability of an outflow of benefits which leads to a provision or the unlikelihood which results in a reporting as contingent liability.

The estimates and underlying assumptions are constantly reviewed. Corrections of estimates are posted during the period during which the review of the estimate was carried out and, if necessary, in addition during later periods if the review also concerns ongoing and later periods.

4. Changes to the scope of consolidation

Setting up of new subsidiaries

During the current fiscal year the following companies were set up by ComBOTS.

NAME/REGISTERED OFFICE OF THE COMPANY	Share in %	Equity at setting up in T€
ComBOTS CUSTOMER CARE GMBH, KARLSRUHE	100	25
ComBOTS INTERNATIONAL GMBH, KARLSRUHE	100	250

Acquisition of subsidiaries

During the fiscal year shares in the following companies were acquired:

NAME/REGISTERED OFFICE OF THE COMPANY	Date of acquisition	Share in the company in %	Acquired pro rata equity in T€
INFORMIA AG, KARLSRUHE	02/24/2006	27	601
INFORMIA AG, KARLSRUHE	11/16/2006	24	501
ComBOTS DATA CENTER GMBH, KARLSRUHE	05/11/2006	100	25
ComBOTS PAYMENT SERVICES GMBH, KARLSRUHE	05/11/2006	100	25

Change in company names within the consolidated group:
During the fiscal year B2ABC Performance GmbH changed its name to ComBOTS Corporate Services GmbH (CCS GmbH). The entry in the commercial register was made on May 30, 2006. Effective December 31, 2006 ComBOTS AG sold the limited partnership share in Digital Entertainment GmbH & Co. KG, Karlsruhe, to the general partner CCS GmbH. As a legal consequence, the company was dissolved and the assets were accrued to CCS GmbH.

5. Accounting and valuation methods

Shareholdings in associated companies

Shareholdings in associated companies are valued according to the equity methods. The shareholdings 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 companies falls below zero, the shareholdings are valued at zero and an auxiliary calculation shows the pro rata loss.

Liquid assets

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 maturity, the book values of the cash and cash equivalents essentially correspond to their fair values.

Financial investments and financial assets

Financial assets as defined by IAS 39 are classified as financial assets which are assessed at their fair value with recognition in the profit and loss statement, as loans and receivables, as investments held to maturity or as financial assets available for sale. At the first recognition of financial assets the latter are assessed with their fair value. ComBOTS defines the classification of its financial assets upon first recognition. During the fiscal year the parent company changed its strategy concerning the recognition of securities and currently all securities held were classified as available for sale.

Receivables are reported at their nominal value minus appropriate valuation allowances which correspond to the market value. Valuation allowances in respect of receivables are calculated in accordance with the probability of their uncollectibility.

Other assets are recognized at historical cost. If there are doubts concerning the collectibility of the other assets, valuation allowances are made in each individual case.
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 "amortized cost". This is the amount with which a financial asset is valued at its first recognition minus repayments, plus or minus cumulated amortization of a possible difference between the original amount and the amount repayable at maturity by application of the effective interest rate method. Available for sale securities are recognized at market value. Unrealized profits and losses from available for sale securities are reported under Other Reserves, taking into account the deferred taxation effect. If impairments are not of a temporary nature, they are taken into account in the profit and loss statement.
The valuation of securities as well as realized and unrealized profits and losses is made on the basis of an individual valuation.

The purchase and sale of securities of all categories are valued at transaction prices on the settlement day. The derecognition of securities is carried out as soon as ComBOTS loses the claim to payments under the securities or the latter expires.
Purchases and sales of securities of all categories are contained in the consolidated cash flow statement as inflows and outflows from investments.

Reporting of long-lived assets
Tangible assets are reported at acquisition and production cost, minus depreciation according to the straight line method over their useful life and, if relevant, minus non-scheduled impairments. The building of Sarah Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs KG is depreciated using the straight line method over 40 years. The useful life for IT hardware is three years and for the other fixtures and fittings it varies between four and ten years. No use is made of the option to capitalize outside capital expenses for qualifying assets.

Tangible assets are either charged off on disposal or when further use or sale cannot be expected to result in any further economic benefit. All rental and leasing contracts entered into by ComBOTS are to be classified as operate leases within the meaning of IAS 17 "Leases" and are therefore not reported under assets. Apart from rental and leasing agreements, leasing relationships can be parts of contracts in accordance with IFRIC 4 which as such do not fulfill the definition of a lease under IAS 17.
In order to assess whether an agreement includes a leasing relationship, the criteria of IFRIC 4 are considered. Software acquired by purchase is recognized at acquisition costs and depreciated over the estimated useful life of three to five years by the straight line method.

Part of the costs for developments incurred during the reporting period were capitalized in connection with the setting up of the business system. The remaining costs were posted as expenses.
In accordance with IAS 38 the creation process must be divided into a research and a development phase with a purpose of capitalization of self-developed intangible assets. Costs incurred in the research phase are always to be posted as expenses; costs incurred during the development phase must be capitalized if certain conditions are fulfilled:

* The completion of the intangible asset must be technically feasible;
* the intention to complete the intangible asset and use and/or sell it must exist;
* the company must be able to use or sell the intangible assets;
* the asset will probably generate an economic benefit in future;
* the company must have the technical, financial and other resources in order to complete the development and be able to use the asset at a later stage;
* the expenses incurred during development must be reliably assessed.

If the research and development is work carried out by ComBOTS for the production of the actual ComBOTS application, a future economic benefit cannot be reliably assessed at present, i.e. prior to the broad launch of the product on the market.

For all development costs incurred within the framework of the creation of the business systems the prerequisites to capitalization were met. ComBOTS assesses fixed assets in conformity with IAS 16 "Tangible assets" and IAS 38 "Intangible assets". For intangible assets with a non-definable useful life and hence without regular depreciation, an impairment test must be carried out at least once a year. Regardless of the useful life, non-scheduled depreciations must be carried out in accordance with IAS 36 “Impairment of assets” if events or changes indicate that the book value of these assets is impaired.

If there are such indications, the recoverable amount of the asset is to be determined as the higher amount of the value in use and net realizable value (as fair value minus costs of disposal). If it is lower than the book value a depreciation is to be made to the recoverable amount. If no payment flows can be allocated to an individual asset to determine the value in use, the next higher unit to which separate payment flows can be allocated is to be used.

Treasury shares
Treasury shares held by ComBOTS and its subsidiaries are shown with their acquisition cost in the shareholders’ equity. The acquisition, sale, issuing and collection of treasury shares does not result in a profit or loss.

Liabilities
Short-term liabilities are reported with their repayment or settlement amount. Long-term liabilities are recognized in liabilities at amortized costs.

Provisions
Provisions are set up if ComBOTS has a current obligation to perform based on a past event which will lead to a probable outflow of benefit and which can be accurately estimated. Long-term provisions are discounted if the interest effect is material.

Contingent assets and liabilities
Information on contingent assets is given if ComBOTS has a possibility of inflow of economic benefit and this inflow of benefit is probable. Information on contingent liabilities is given if ComBOTS has an obligation to perform based on a past event and the resulting outflow of benefit cannot be classified as unlikely.

Other reserves
The other reserves include all revenues and expenses as well as profits and loses recorded in the shareholders capital according to other standards and interpretations as neutral in terms of effects on profits. “Other reserves” also includes unrealized profits and losses from the market valuation of securities and the resulting deferred tax expenses and income.

Share-based payment
ComBOTS reports the share-based payments granted by the company in accordance with IFRS 2 “Share based payments”. In accordance with IFRS 2 the options issued are valued at their fair value on the day of granting. If the exercise of the granted options is subject to certain conditions, such as the expiration of a deadline or the achievement of a certain goal, the expense is posted in capital reserves on a pro rata basis over the periods until these conditions are met.

Realization of earnings
ComBOTS does currently not earn any revenues.

During the prior year revenues were generated with the product Com.Win in the continuing business line. The revenues were generated from ongoing monthly subscription fees and/or the sale of telephone minutes.

Earnings from interest are reported if it is likely that the economic benefit will accrue to ComBOTS and the amount of earnings can be reliably determined. Dividends are realized as earnings if there is a legal claim to dividend payments.

Tax expenses

The actual tax liabilities for the reporting period and earlier periods are valued with the amount which is expected for a payment to the tax authority. ComBOTS shows income taxes in accordance with IAS 12 “Income taxes” according to the liability method. According to this method deferred taxes are determined according to the temporary difference between the IFRS and the tax base valuation of assets and debts by means of the expected statutory tax rates for those years during which it is expected that differences will balance each other out. Exceptions are goodwill for the first recognition of which no deferred tax is formed.

Deferred tax claims are reported for all deductible temporary differences, losses carried forward not yet used as well as tax credits not yet used to the extent that it is likely that taxable income will be available, against which the deductible temporary differences and the not yet used tax losses carried forward and tax credits can be used.

Income taxes which relate to items whose changes in value are directly covered by the shareholders’ equity are likewise covered directly in the shareholders’ equity and not in the profit and loss statement.

Deferred tax claims and deferred tax liabilities are offset against each other if the group has an enforceable claim to offsetting of the actual tax refund claims against actual tax liabilities and the latter result in income taxes of the same tax subject which are levied by the same tax authority.

Earnings per share

Earnings per share are determined in accordance with IAS 33 “Earnings per share”. The undiluted earnings per share are calculated by dividing the earnings to which the shareholders are entitled by the weighted average number of shares in circulation during the year.

The diluted earnings per share are calculated by dividing the earnings to which the shareholders are entitled by the sum of the weighted average number of ordinary shares 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 must be taken into account if they concern information about events which was already available on the balance sheet date. If this is the case, the corresponding information must be updated against the backdrop of the new developments.

6. The discontinued Portal business line

In fiscal 2005 the Portal business of the former WEB.DE AG was sold to the United Internet group of companies.

Due to the development of the portal market it was necessary for ComBOTS to initiate the next step in its development. An exclusive focusing on the national market as practiced by WEB.DE at that time was not considered to be targeted enough against the backdrop of the developments on the portal market. In order to implement the growth strategy several possibilities were taken into consideration. Apart from the finally concluded alliance also possible acquisition targets and alternative partners to United Internet, Montabaur, were examined.

The decision to sell the Portal business to United Internet AG was taken essentially because of two factors: on the one hand ComBOTS continues to participate through the 9.3% share in United Internet AG in the anticipated positive development of the WEB.DE Portal and the expected positive synergies without directly shouldering any operating risks. On the other hand, ComBOTS was provided with the necessary liquid assets and hence the necessary room for maneuver in order to be able to pursue the goals in Personal Digital Communication in a focused manner. At the same time the planned co-operation with United Internet AG, Germany's largest portal provider after the acquisition of the Portal business of WEB.DE, provides ComBOTS with a significantly broader customer basis for the future marketing of its products.

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The discontinued business line presented itself as follows:

ComBOTS AG: DISCONTINUED BUSINESS SEGMENT in T €

	2005
REVENUES	41,225
COST OF SALES	**–9,179**
MARKETING AND ADVERTISING	–9,795
GENERAL ADMINISTRATION COSTS	–2,052
RESEARCH AND DEVELOPMENT	–10,319
SEGMENT RESULT BEFORE TAXES	**9,880**
TAX EXPENSES	–3,853
SEGMENT RESULT AFTER TAXES	**6,027**
RESULT FROM DISPOSAL	314,626
TAX EXPENSES	–34,718
RESULT FROM DISCONTINUED BUSINESS LINE ACCORDING TO P&L	**285,935**
NUMBER OF OUTSTANDING SHARES	
/ undiluted	35,855,296
/ diluted	36,617,800
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF CURRENT BUSINESS ACTIVITIES	
/ undiluted	0.17
/ diluted	0.16
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF THE DISPOSAL	
/ undiluted	9,74
/ diluted	9,54
EFFECT ON THE TOTAL EARNINGS PER SHARE	
/ undiluted	9.91
/ diluted	9.70
NET CASH FLOW OF DISCONTINUED BUSINESS LINE FROM OPERATING ACTIVITIES	13,901
NET CASH FLOW OF DISCONTINUED BUSINESS LINE FROM INVESTING ACTIVITIES	149,310
NET CASH FLOW OF DISCONTINUED BUSINESS LINE FROM FINANCING ACTIVITIES	0

In fiscal 2006 tax liabilities in the amount of TEUR 18,066 and liabilities against 1&1 Internet AG, Montabaur, in the amount of TEUR 8,339 in connection with the sale of the Portal business were paid. At the same time ComBOTS received VAT refunds in the amount of TEUR 4,943 and TEUR 1,285 from the collection of receivables. The resulting net outflow of cash and cash equivalents of TEUR 20,177 was completely allocated to investment activities.

7. Supplementary information on the consolidated cash flow statement

The cash flow statement is sub-divided into inflows and outflows from the current operating, investment and financing activities in accordance with IAS 7 “Cash flow statements”. The determination of the cash flow from current business operations based on the indirect method is made from the consolidated financial statements of ComBOTS. During the fiscal year ComBOTS paid taxes in the amount of TEUR 20,494 (prior year: TEUR 20,463) including TEUR 18,066 from the discontinued business line and TEUR 610 for interest (prior year: TEUR 640). The taxes include trade tax as well as capital gains tax and solidarity charge. Interest income amounted to TEUR 6,540 in fiscal 2006 (prior year: TEUR 5,390).

The liquid funds of the group break down as follows:

LIQUID FUNDS OF THE GROUP in T €

	2006	2005
CURRENT ACCOUNTS	7,115	4,357
TIME DEPOSIT	27,315	60,000
FIXED-TERM DEPOSIT	3,722	86,400
TOTAL LIQUID FUNDS	**38,152**	**150,757**

8. Business combinations

Effective May 11, 2006 100% of the shares in DISKUS 232. Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main, a corporate shell, were acquired. Upon the entry in the commercial register on September 4, 2006 the company name was changed to ComBOTS Data Center GmbH and its registered office was relocated to Karlsruhe. The purchase price was TEUR 25; this corresponded to the fully paid up nominal capital of TEUR 25. No material ancillary expenses were incurred in connection with the acquisition. The purchase price was fully paid in cash. Since the company has no assets or debts apart from the fully paid up nominal capital, the market value of the equity of the company corresponds to the nominal value. Since the company does not yet have any operations, neither profits nor losses were generated during the reporting period. The company was acquired in order to outsource in future the data center of ComBOTS including the corresponding staff to this company. In future all activities in connection with the data center are to be taken over by the company and are to be charged on to ComBOTS Product GmbH KG & Co. An exact date has not yet been fixed.

In addition, all shares in DISKUS 231. Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main, a corporate shell, were acquired effective May 11, 2006. Upon its entry in the commercial register on September 4, 2006, the company name was changed to ComBOTS Payment Service GmbH and its registered office was relocated to Karlsruhe. The purchase price amounted to TEUR 25; this corresponded to the fully paid up nominal capital in the amount TEUR 25. No material ancillary expenses were incurred at the acquisition. The purchase price was fully paid in cash. Since the company has no assets or debts apart from the fully paid up nominal capital, the market value of the equity of the company corresponds to the nominal value. Since the company does not yet have any operations, neither profits nor losses were generated during the reporting period. The company has not yet started its business operations. Moreover, the shares in Informia AG held by third parties were acquired during the last fiscal year and Informia AG was transformed from an associated company with a shareholding of 49% into a subsidiary with a shareholding of 100%. The transaction to acquire the outstanding shares took place in two steps in economic terms. In legal terms 7% of the shares were acquired on February 20, 2006, then 20% on February 24, 2006 and the remaining 24% of the shares were acquired on November 16, 2006. Since the two transactions were negotiated in February 2006 simultaneously with the respective shareholders and the same valuation basis was used for the determination of the purchase price of the shares, the two share transfers are to be treated as one transaction in economic terms. They are, therefore, considered as one acquisition step on February 24, 2006.

The shares in Informia AG were acquired in order to be able to discontinue the business activities of the company after the fulfillment of the still existing obligations.

The company was set up in 2002, inter alia, to handle the premium program of WEB.DE. In order to cover the obligation, securities were acquired by the company. In 2005 these securities were deposited for tax reasons with Informia Assets GmbH, a wholly owned subsidiary of Informia AG. The object of Informia Assets GmbH was exclusively the holding of these securities for Informia AG. The settlement of receivables from customers was during the entire existence of Informia AG its only material business activity. The securities of Informia Assets GmbH were sold at the stock exchange before the acquisition in 2006 by ComBOTS AG so that merely cash and cash equivalents remained in the company.

In accordance with the above statements 27% of the shares in Informia AG were consolidated for the first time in a first step on the acquisition date February 24, 2006. This acquisition is a business combination within the meaning of IFRS 3. Through the acquisition of 7% and another 20% of the shares ComBOTS gained control over Informia AG. The acquisition costs for the shares amounted to TEUR 125 and TEUR 358, respectively, i.e. a total of TEUR 483. The purchase price was fully paid in cash.
No material ancillary expenses were incurred. The consolidated balance sheet of Informia AG (including Informia Assets GmbH) presented itself as follows before the first consolidation:

CONSOLIDATED BALANCE SHEET INFORMIA AG in T €

	Book value	Fair Value
RECEIVABLES	113	113
LIQUID ASSETS	2,395	2,395
TOTAL ASSETS	**2,508**	**2,508**
SHAREHOLDERS' EQUITY	2,225	2,225
PROVISIONS	19	19
TRADE PAYABLES	1	1
OTHER LIABILITIES	263	263
TOTAL LIABILITIES	**2,508**	**2,508**

Within the framework of the first consolidation earnings of TEUR 876 were realized. They were composed of the pro rated at equity result of Informia AG on the acquisition date of TEUR 758 and the earnings from the realization of a negative difference from the first consolidation in the amount of TEUR 118.

The acquisition of the second 24% of shares on November 16, 2006 concerned the acquisition of minority shareholdings. The minority shareholdings were acquired with a book value of TEUR 522 for TEUR 54. The resulting negative difference of TEUR 468 was recognized in current earnings.

The negative contribution to the group result of Informia AG since its acquisition amounts to TEUR 55.

If the shares in Informia AG had already been acquired at the beginning of the fiscal year, the consolidated result would have changed as follows:

* Reduction of the consolidated result by a change in first consolidation: TEUR 876 (corresponds to 100% of the earnings realized within the framework of the first consolidation),
* reduction through a change in the minority shareholdings acquisitions of TEUR 468,
* increase in the result by including Informia AG from January 1, 2006 at TEUR 1,547 (corresponds to the full amount of the result of Informia AG for Q1 2006),
* total effect on the result in the amount of TEUR 2003 (surplus result).

9. Supplementary information on the balance sheet.

The receivables and payables shown in the balance sheet have a residual term of less than one year except for the bank liability of the property leasing company with a residual term of less than one year. The other assets include receivables with a residual term between one and five years of TEUR 348 (prior year: TEUR 371).
The other assets refer essentially to VAT receivables from United Internet AG. Within the framework of a special VAT field audit in connection with the sale of the Portal business during the last fiscal year the tax authorities reached the conclusion that this was a transaction subject to and eligible for VAT. This resulted in a VAT liability for ComBOTS in the amount of TEUR 56,685 and tax receivables from United Internet AG in the same amount.

The tax refund claims concern corporation tax in the amount of TEUR 2,535 (prior year: TEUR 1,670). The expenses from the addition to valuation allowances in respect of accounts receivable amount to TEUR 0 (prior year: TEUR 2,988). There are no receivables from members of the Executive Board. Loans in the amount of TEUR 142 (prior year: TEUR 156) were granted to employees. Like in the previous year, they were reported under Other Assets.
The prepaid expenses include invoices already paid for, insurance policies and software maintenance.

10. Securities

In order to have the possibility to respond to opportunities and changes on the market and the corresponding influences on market values of securities held, the company has decided to give up the categorization of securities as held to maturity and to report the corresponding securities instead as available for sale.

The fundamental intention of the company to benefit in the long term from interest payments from the corresponding securities has not changed. There is now merely a possibility to sell individual securities and hence to prematurely realize the expected earnings from these securities.

The following overview represents the development of the securities:

ComBOTS AG: DEVELOPMENT OF SECURITIES in T €

	AVAILABLE FOR SALE			HELD TO MATURITY	TOTAL
	Acquisition value	Market price	Not yet realized profits / losses		
2005					
FIXED INTEREST SECURITIES < 1 YEAR	27,280	26,645	–635	13,680	40,325
FIXED INTEREST SECURITIES > 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**
2006					
FIXED INTEREST SECURITIES < 1 YEAR	59,676	59,990	313	0	59,990
FIXED INTEREST SECURITIES > 1 YEAR	78,124	74,313	–3,810	0	74,313
SHARES IN UNITED INTERNET	154,280	290,232	135,952	0	290,232
	292,080	**424,535**	**132,455**	**0**	**424,535**

The shares in United Internet AG amount to a total of 23,200,000 registered shares from the sale of the Portal business. On June 23, 2006 bonus shares were issued by United Internet AG in order to increase the shareholders' equity from the company‘s financial resources. For every existing share three bonus shares were issued so that the original 5,800,000 registered shares became 23,200,000 registered shares.

The original 5,800,000 registered shares involved acquisition costs of EUR 26.60 per share, i.e. EUR 6.65 per share after adjustment for the share split. The market price for the 23,200,000 registered shares amounted to EUR 12.51 per share on the balance sheet date. The acquisition costs are derived from the value quoted (floor) of the shares on the date of completion of the Portal sale on October 31, 2005; the market price corresponds to the quoted price (floor) of the shares on the balance sheet date.
Besides the shares in United Internet AG, the securities concern primarily fixed interest securities with an average residual term of approximately 3.2 years.

The classification of the securities in accordance with IAS 39 is made upon the first reporting. Since August 2006 all securities have basically been classified as available for sale. The additions during the current fiscal year amounted to TEUR 63,352.

During the past fiscal year TEUR 887 (prior year: TEUR 392) were realized as expenses from the sale of available for sale securities. Furthermore, interest income in the amount of TEUR 6,540 (prior year: TEUR 4,371) was generated. In addition, the company received dividend payments in the amount of TEUR 1,450.
The market value of the held to maturity securities amounted to TEUR 70,821 at the prior year balance sheet date December 31, 2005. The corresponding market values were determined from the stock exchange prices on the balance sheet date.
The shares in United Internet AG are subject to the usual stock exchange price risk.

The material risks resulting from financial instruments for the group include interest-related fair value risks and default risks. Foreign exchange, liquidity and cash flow risks do not exist.
Since the other available for sale securities are basically securities with the same features their risks are identical.
As far as the available for sale securities are concerned, ComBOTS is exposed to the risk of a change in the fair value of the securities through a change in the interest level. Higher interests lead to a reduction of the market value, lower interests involve an increase of the latter. As far as variable interest securities are concerned, ComBOTS is exposed to the risk of a change in the anticipated payment flows from the securities. Depending on the features of the securities, higher interests lead to an increase or decrease of the anticipated payment flows.
The time to maturity of the securities and the related current coupon margin on the balance sheet date is an indicator for a more precise representation of the interest risks of the securities.

AVAILABLE FOR SALE SECURITIES in T €

TIME TO MATURITY	Book values	Coupon margin
< 1 YEAR	59,990	1,50% – 9,75%
1–2 YEARS	10,387	3,00% – 4,88%
2–3 YEARS	11,930	3,50% – 5,50%
3–4 YEARS	7,398	2,50% – 5,75%
4–5 YEARS	18,390	0,00% – 4,25%
MORE THAN 5 YEARS	26,208	3,25% – 7,00%
TOTAL	**134,303**	

The issuers of the securities held are essentially European mortgage and other banks such as UBS, Dresdner Bank or Landesbank Baden-Württemberg and other internationally recognized companies such as Siemens, Daimler-Chrysler, Volkswagen or RWE. In all cases the issuers are companies with at least a good financial standing. However, under certain circumstances a loss of the entire investment would be possible. Through the selection of issuers this risk is, however, rather low.

Because of the negligible risk potential of the fixed interest securities, no hedging transactions are conducted. With the selection of the securities an attempt is made to avoid risk concentration through a denomination in reasonable tranches, different terms, a regional spread and a diversification in terms of industries of the issuers. A significant default concentration does likewise not exist because of the diversification.

As far as short-term receivables and other financial assets of the group are concerned, which include cash and cash equivalents, the maximum default risk in connection with a defaulting contractor amounts to the book value of the corresponding instruments.

The book value of Informia AG valued at equity during the previous year developed like in the previous year as follows:

AT EQUITY VALUE in T €

	at equity
SHAREHOLDERS EQUITY OF INFORMIA AG AS OF 12/31/2004	851
SHARE OF ComBOTS 49% ON 12/31/2004	417
RESULT OF INFORMIA AG 2005	–173
SHAREHOLDERS' EQUITY OF INFORMIA AG 12/31/2005	678
SHARE OF ComBOTS 49% ON 12/31/2005	332
BOOK VALUE OF THE SHARES ON 12/31/2004	417
BOOK VALUE OF THE SHARES ON 12/31/2005	332
AT EQUITY RESULT 2005	**–85**

11. Market values of financial receivables

Financial receivables whose book values are approximated to the market value include cash and cash equivalents, short-term financial investments, accounts receivable as well as short-term assets. The market value of financial receivables for which there are stock exchange prices, corresponds to these prices.

The book value of the loans corresponds to their market values.

12. Tangible assets

A detailed presentation of the development of tangible assets is represented in the fixed asset movement schedule as an integral part of these financial statements.

The additions during the fiscal year result mainly from the setting up a new data center and the transformation of the air-conditioning in order to adjust it to the requirements of the ComBOTS data center. Within the framework of the capitalization of costs of the data center not only externally incurred expenses but also internal expenses were capitalized. The capitalization of these internal expenses was based on the working time and calculated hourly rates recorded in connection with the internal project.

13. Intangible assets

Intangible assets include primarily acquired software, licenses and patents. The development of the intangible assets can be taken from the schedule of changes in assets which is an integral part of these notes. The additions during the current fiscal year result essentially from costs associated with software components used in the business systems and the associated customizing as well as purchased software. Furthermore, development costs for business and customer care systems and so-called characters were capitalized during the fiscal year in the amount of TEUR 2,659. The business system ensures the settlement of the business processes. From contract drafting, the provisioning of the digital artifacts to billing, collection of payments up to customer service the business administration functions are combined in one system.
For this purpose software packages were acquired from external suppliers and adjusted to the requirements of ComBOTS in such a way that the combination of the individual software components in one system is possible. Licenses and similar intangible assets are depreciated on a straight line basis.

14. Provisions

The development of provisions can be taken from the following overview.

DEVELOPMENT OF PROVISIONS in T €

Position	As at 1/1/2006	Use	Reversal	Addition	As at 12/31/2006
TAX PROVISIONS	18.095	–18.095	0	36	36
OTHER PROVISIONS	2.263	–837	–263	767	1.930
PROVISIONS	20.358	–18.932	–263	803	**1.966**

The reported provisions are exclusively provisions with a term of up to one year. The tax provisions were mainly constituted for liabilities under trade tax.

The other provisions concern essentially provisions for uncertain liabilities and litigation risks.

15. Due to banks from the property leasing company

In order to finance the acquisition of the land and business premises Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG took out three long-term maturity loans in previous years. The first of the three loans over a nominal amount of TEUR 9,050 bears interest of 5.7% p.a. with a fixed interest rate until 2011. The second of the three loans, likewise with an interest rate fixed at 4.65% p.a. until 2011, has a nominal amount of TEUR 2,300. The third loan likewise with a fixed interest rate until 2011 of 4.8% p.a. has a nominal amount of TEUR 2,160. The three loans had a total value of TEUR 11,849 on December 31, 2006. The total liabilities have a residual term of more than five years. The land and the building with a collateral value of TEUR 14,112 serve as collateral for the two loans.

16. Shareholders' equity

The company's fully paid up nominal capital amounted to TEUR 38,429 (prior year: TEUR 38,361) as of December 31, 2006 and is divided into 38,428,841 (prior year: 38,361,230) no par value nominal shares. At the annual general meeting on January 11, 2000 the Executive Board was empowered to increase, with the approval of the Supervisory Board, the nominal capital of the company during the period up to December 31, 2004 once or several times by a total of up to EUR 16,875,000 by issuing new ordinary shares against cash or contributions in kind (authorized capital I). On this basis the nominal capital was increased by EUR 476,768 on June 6, 2000 and by EUR 222,051 on September 4, 2000 by a contribution in kind in each case. The authorized capital I then amounted to EUR 16,176,181. By resolution of the annual general meeting of July 17, 2003 the authorized capital I was reduced to EUR 15,250,000. The empowerment concerning the authorized capital I now applies until July 17, 2008.

By way of another resolution of the annual general meeting of July 17, 2003 the Executive Board was further empowered to increase, with the approval of the Supervisory Board, the nominal capital of the company during the period until July 17, 2008 once or several times by up to EUR 3,800,000 by issuing new ordinary shares against a cash contribution (authorized capital II). The authorized capital II had not been used until December 31, 2006.

In accordance with the resolution of the annual general meeting on July 17, 2003 the nominal capital was conditionally increased by up to EUR 3,000,000 by issuing up to 3,000,000 new ordinary shares (conditional capital I). The conditional capital increase serves the granting of options and is only carried out to the extent that the holders of option rights exercise such right.

Following the corresponding exercise of employee options a total of 67,611 (prior year: 157,944) new shares were issued to employees and the nominal capital was increased in that respect by a nominal EUR 67,611 (prior year: EUR 157,944). The premium in connection with the issuing of the new shares in the amount of TEUR 254 (prior year: TEUR 548) was transferred to the capital reserves. The notification of the issued new shares to the commercial register was carried out in accordance with § 201 para 1 AktG (German Stock Corporation Act) on January 24, 2007.

By resolution of the annual general meeting of July 17, 2003 the Executive Board was authorized to issue bonds with warrants or convertible bonds with a total nominal amount of up to EUR 640,000,000 with a term of up to 20 years. The bonds can also be issued against contributions in kind. They have not yet been issued.

According to a resolution of the annual general meeting of July 17, 2003 the nominal capital is increased by another up to EUR 16,000,000 by issuing up to 16,000,000 new nominal no par value shares with entitlement to profits in a conditional manner from the beginning of the fiscal year of their issuing (authorized capital II). The conditional capital increase serves for the granting of shares to the owners or creditors of bonds with warrants or convertible bonds which are issued in accordance with the afore-mentioned empowerment up to July 17, 2008 by the company or a subordinated affiliated company if the issue is made against cash. This empowerment has not yet been used.

At the annual general meeting on July 6 and 7, 2005 it was decided to change from the previous bearer shares to registered shares.
The changeover was completed on December 22, 2005.
At the same time it was decided that the parent company would be renamed from „WEB.DE AG“ to „Combots AG“.

At the annual general meeting on July 6 and 7, 2005 the Executive Board was empowered – like in previous years – to acquire until January 5, 2007 up to 3,800,000 shares of the company but no more than 10% of the nominal capital of the company. This empowerment to acquire treasury shares was extended by the annual general meeting on July 13, 2006 until January 12, 2008.

Based on these empowerments the group holds as of December 31, 2006 2,883,222 (prior year: 2,505,934) treasury shares. The shares were not collected.

The company has not yet paid any dividends. The dividend payment is based on the financial statements of ComBOTS AG in accordance with the German Commercial Code.

17. Share-based compensation

ComBOTS has the possibility to issue up to 3,000,000 options for the purchase of ComBOTS shares to employees of the company as well as employees and members of the senior management of affiliated companies. Every option entitles to the acquisition of one ComBOTS share.
ComBOTS has a stock option plan for the benefit of its employees.
Based on this stock option plan, stock options are allocated to full-time employees. On December 31, 2006 1,609,190 (prior year: 1,718,625) options were issued to subscribe to ComBOTS shares to employees and members of the senior management of ComBOTS AG and its subsidiaries.
The options may only be exercised if the ComBOTS share price has increased at least once by 10% since the issue of the option.

The exercise price is determined by the stock exchange price of the ComBOTS share at the time of allocation of the option plus a premium of 10%. The options may be exercised in the amount of one-third after the second, third and fourth year on the 3rd to 20th stock exchange trading day after the annual balance sheet press conference, the ordinary annual general meeting or the announcement of a quarterly or half-year report and in the event of full exercise of the options the conditional capital would be used in an amount of up to TEUR 1,609 (prior year: TEUR 1,719). The options become forfeited after a maximum of 10 years.

As a matter of principle employees lose their claims under the stock options granted if they leave the company within the qualifying period. Within the framework of the transfer of the Portal business and the corresponding employees to 1&1 Internet AG and its affiliated companies in fiscal 2005 a special agreement was reached for the employees concerned so that the options issued to them are only forfeited if and to the extent that the employment relationship with 1&1 Internet AG or its affiliates ends within the qualifying period. The expenses associated with these options were completely covered in fiscal 2005.

The following table summarizes the information on residual terms and exercise prices of all stock options of the company issued as of December 31, 2006:

RESIDUAL TERMS AND EXERCISE PRICES in T €

Total options allocation tranches	Outstanding options 12/31/2005	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/2006	Weighted average exercise price of outstanding options (EUR)	Number of exercisable options	Weighted average residual term (years)
2000	637,314	0	–2,654	–62,000	572,660	22.10	572,660	0.00
2001	142,147	0	–6,170	–378	135,599	5.47	135,599	0.00
2002	489,763	0	–54,791	–77	434,895	4.26	434,895	0.00
2003	96,901	0	–2,331	–15,501	79,069	8.99	46,399	0.18
2004	110,500	0	–1,665	–11,668	97,167	8.42	33,485	0.68
2005	242,000	0	0	–19,500	222,500	9.03	0	1.25
2006	0	82,900	0	–15,600	67,300	13.64	0	2.37
TOTAL	**1,718,625**	**82,900**	**–67,611**	**–124,724**	**1,609,190**		**1,223,038**	
Average weighted exercise price per category	11.75	13.80	4.77	10.45	12.25		13.04	

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The following table summarizes the information about residual terms and exercise prices of options held by employees who stayed with ComBOTS after the Portal sale and the employees newly recruited during the fiscal year:

RESIDUAL TERMS AND EXERCISE PRICES in T €

Only continued business line allocation tranches	Outstanding options 12/31/2005	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/2006	Weighted average exercise price of outstanding options (EUR)	Number of exercisable options	Weighted average residual term (years)
2000	304,112	0	–1,654	–3,980	298,478	25.54	298,478	0.00
2001	15,166	0	–1,000	–2,000	12,166	7.61	12,166	0.00
2002	333,058	0	–21,334	–7,392	304,332	4.24	304,332	0.00
2003	27,380	0	–333	–7,213	19,834	9.44	12,831	0.18
2004	22,100	0	0	–4,767	17,333	8.44	6,665	0.71
2005	152,400	0	0	–6,900	145,500	8.59	0	1.14
2006		82,900	0	–15,600	67,300	13.64	0	2.37
TOTAL	**854,216**	**82,900**	**–24,321**	**–47,852**	**864,943**		**634,472**	
Average weighted exercise price per category	12.42	13.80	4.50	7.32	13.31		14.48	

The valuation of the options is based on IFRS 2 "Share-based payment". In accordance with IFRS 2 stock options are valued at their fair value upon their issuing. Since there is no active market for these options from which the fair value could be derived, this fair value is determined in accordance with the Black Scholes model for valuing options.

The weighted average market value of the options granted during the fiscal year amounted to EUR 2.87 per share (prior year: EUR 2.02). The market value of the options is estimated on the day of granting based on the Black Scholes model; in 2006 this was based on risk-free interest rates of 2.5% to 4.0% (prior year: 2.0% to 3.0%), a probable term of three years (prior year: three years), a probable dividend return of 0% (prior year: 0%), an average future fluctuation of 10% (prior year: 10%) and a probable volatility based on experience of 33.69% (prior year: 38.7%).

The total expenses reported during the fiscal year for stock options amounts to TEUR 149 (prior year: TEUR 661, including TEUR 120 for the continued business line).

During the fiscal year 67,611 (prior year: 157,944) options were exercised by their holders. The average exercise price was EUR 4.77 (prior year: EUR 5.69).

18. Supplementary information on the profit and loss statement

The costs for marketing and advertising amount to TEUR 6,830 (prior year: TEUR 670) during the fiscal year. This concerns essentially expenses in connection with the preparation of the market launch of the product ComBOTS as well as total expenses in the fields of marketing, distribution as well as public and investor relations. The general administration costs totaled TEUR 5,270 (prior year: TEUR 3,983) and include essentially personnel expenses for administrative staff as well as legal and consulting fees.

During the past fiscal year research and development costs in the amount of TEUR 31,001 (prior year: TEUR 13,146) were expensed. These were primarily the development costs for the product ComBOTS as well as the total expenses of the other technical areas, in particular the data center.

The amortization of intangible assets in the amount of TEUR 988 is reported under research and development (TEUR 747), marketing and advertising (TEUR 126) as well as general administration (TEUR 115). Interest income includes all realized interests from securities held as well as realized profits from the disposal of available for sale securities. Interest expenses concern bank liabilities from the financing of the property leasing company.

ComBOTS receives interest payments from the fixed interest securities. These interests are reported on an accrual basis, i.e. interest accrued up to the balance sheet date is realized even if the payment of interest occurs at a later stage.
During the current fiscal year United Internet AG paid a dividend of EUR 0.25 per share (before share splitting). ComBOTS was, therefore, able to realize an income of TEUR 1,450.

The income tax expense for the period breaks down as follows:

INCOME TAX FOR THE PERIOD in T €

	2006	2005
ACTUAL INCOME TAX		
/ Actual income tax (expense)/income	21	–38.571
// Including reporting in the discontinued business line	0	38.571
DEFERRED INCOME TAX		
/ Changes in value not recorded in the income statement		
// From securities held for sale	2.008	614
TAX INCOME SHOWN IN THE CONSOLIDATED PROFIT AND LOSS STATEMENT	**2.029**	**614**

RECONCILIATION STATEMENT OF INCOME TAX in T €

	2006	2005
NET DEFICIT FOR THE YEAR (PY: NET SURPLUS FOR THE YEAR)	–33,339	273,125
RESULT FROM DISCONTINUED BUSINESS LINE	0	–285,935
TAX INCOME	–2,029	–614
RESULT FROM CONTINUING BUSINESS LINE BEFORE TAX	–35,368	–13,424
EXPECTED TAX INCOME	13,794	5,235
EFFECT FROM THE OFFSETTING OF TAX LOSSES OF THE CONTINUED BUSINESS LINE AGAINST PROFITS FROM THE PORTAL BUSINESS	0	–4,543
EFFECT FROM THE NON-RECOGNITION OF ACTIVE DEFERRED TAXES ON TAX LOSSES CARRIED FORWARD	–12,141	0
NON-DEDUCTIBLE EXPENSES	–40	–31
TAX-FREE INCOME	398	0
TAX REFUNDS FOR PREVIOUS YEARS	75	0
PERMANENT DIFFERENCES FROM STOCK OPTION	–57	–47
REPORTED TAX INCOME	**2,029**	**614**

The net income for the year before tax relates exclusively to business operations in the Federal Republic of Germany.
For the calculation of deferred taxes a corporation tax rate of 25% is applied. In addition a solidarity charge of 5.5% arises on top of the corporation tax. Furthermore, ComBOTS is subject to trade tax as collected in accordance with the local rates which can be deducted for the purposes of determination of the corporation tax.
The above-mentioned table shows a reconciliation statement of income tax based on a combined income tax rate of 39% (see page 44).

On the balance sheet date there are trade tax loss carry-forwards in the amount of TEUR 47,269 (prior year: TEUR 6,928) and corporation tax loss carry-forwards in the amount of TEUR 41,758 (prior year: 0). These loss carry-forwards can only be offset to a limited extent against current profits. Tax profits can only be offset against loss carry-forwards in the amount of a base sum of EUR 1 million and for any higher profits in an amount of a maximum of 60%. The losses can be carried forward without limitation in time.
Deferred taxes are as follows on the balance sheet date:

DEFERRED TAXES in T €

	2006	2005
DEFERRED TAX ASSETS		
/ From losses carried forward	3,837	656
/ Offsetting of deferred tax assets and deferred tax liabilities	–3,837	–656
	0	**0**
DEFERRED TAX LIABILITIES		
/ From available for sale securities	2,623	614
/ From intangible assets	1,208	0
/ From treasury shares	6	6
/ From shareholdings	0	6
/ Others	0	30
OFFSETTING OF DEFERRED TAX ASSETS AND LIABILITIES	–3,837	–656
TOTAL DEFERRED TAX LIABILITIES	**0**	**0**
CHANGES TO SHAREHOLDERS' EQUITY DURING THE FISCAL YEAR RESULTING IN NEITHER PROFIT NOR LOSS	–2,009	–614
REPORTED TAX INCOME	**2,009**	**614**

On December 31, 2006 tax receivables from corporation tax amounted to TEUR 2,535 (prior year: TEUR 1,670).

Deferred tax liabilities in the amount of TEUR 2,009 (prior year: TEUR 614) were constituted for temporary differences of profits reported without an impact on result, not realized from securities held for sale (prior year: TEUR 614) so that there is a total of TEUR 2,623.

19. Impairment test for ComBOTS AG

IAS 36 requires companies to check on each balance sheet date whether there are indications for impairment. If there are such indications, an impairment test has to be carried out. Such an indication is for instance the circumstance that the market capitalization of the company is below its book value. On the balance sheet date this indication existed for ComBOTS AG. Based on the Xetra trading price of the ComBOTS share a market capitalization of approximately EUR 347 million was determined whereas the book value, i.e. the shareholders' equity of the group, amounted to approximately EUR 488 million. Consequently, an impairment test for the assets of the group of companies had to be carried out.

Within the framework of the impairment test a first step focused on the determination of the relevant cash generating unit (CGU) of the group of companies. The identified CGU corresponds to the business segment "ComBOTS" identified in the segment reporting. For this CGU two scenarios of business development were developed and the cash and cash equivalent inflows and outflows were determined for each scenario. The scenarios were weighted with the different probabilities of occurrence and the arising expectation value of payment flows was discounted with a risk adjusted interest rate for ComBOTS of 14.4%. The value in use determined in this way was above the book value of the CGU. For that reason the disposal price minus disposal costs was not determined. A need for impairment of the assets concerned was not determined.

20. Liability conditions and other financial obligations

Within the framework of its ordinary business operations the company can become involved in legal disputes, damage claims, preliminary investigations and legal proceedings including product liability and commercial disputes. On December 31, 2006 the company and its legal advisors believe that there are no such material matters concerning the business of the company, its financial position or its operating result.

During the current fiscal year Dresdner Bank AG, Karlsruhe branch, issued collaterals for the benefit of service providers. The guarantees are limited to TEUR 255; an actual availment is not expected.

As far as the affiliated companies are concerned, rental and leasing agreements exist for different facilities and vehicles. Moreover, there are financial obligations of the affiliated companies from service contracts entered into. The contracts result in the following annual payments:

ANNUAL PAYMENTS in T €

2007	7,203
2008	930
2009	162
2010	8
2011 AND LATER	12
TOTAL	**8,315**

In the previous year the following financial obligations from service contracts existed which would result in the following annual payments:

ANNUAL PAYMENTS in T €

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

The expenses for operating leasing amounted to TEUR 312 in fiscal 2006 (prior year: TEUR 837). The residual term of the leasing relationships amounts essentially to one to three years.
Within the framework of the disposal of the Portal business to United Internet ComBOTS AG made, in line with standard practice during such transactions, in its capacity as seller the usual comprehensive warranties in respect of the object of the contract towards the buyers. The liability of ComBOTS AG under the violation of these guarantees was limited to a maximum amount of EUR 100 million. Concerning the fulfillment of the main performance obligations, in particular concerning procurement of title and other transfer obligations and the ancillary performance and indemnification obligations expressly regulated in the asset contribution agreement and/or the share purchase agreement with United Internet, an absolute maximum liability sum together with claims under warranty violations of EUR 300 million was agreed upon. The guarantees have different terms; in individual cases up to five years from completion (October 31, 2005).
In addition a competition clause was agreed which prohibits us inter alia from operating an Internet portal in German-speaking countries or a web-based German-speaking e-mail service (such as the e-mail services of WEB.DE, Yahoo, MSN or T-Online) for two years from completion (October 31, 2005). In the event of violation of the competition clause a non-recurring penalty of EUR 100 million has to be paid. It has to be offset against the liability maximum amounts for warranty violations. With the full payment of the penalty the competition clause ends. At present an actual payment obligation under the guarantees or the competition clause is not to be expected.
On the balance sheet date there are no contingent claims.

21. Earnings per share

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

NUMBER OF SHARES

	2006	2005
TOTAL NUMBER OF NO PAR VALUE SHARES AT THE BEGINNING OF THE FISCAL YEAR	38,361,230	38,203,286
TREASURY SHARES AT THE BEGINNING OF THE FISCAL YEAR	2,505,934	2,173,174
OUTSTANDING SHARES AT THE BEGINNING OF THE FISCAL YEAR	35,855,296	36,030,112
TREASURY SHARES ACQUIRED WITHIN THE FRAMEWORK OF THE AUTHORIZATION OF THE AGM DURING THE FISCAL YEAR	377,288	332,760
SHARES ISSUED TO EMPLOYEES THROUGH THE EXERCISE OF STOCK OPTIONS	67,611	157,944
OUTSTANDING SHARES AT THE END OF THE FISCAL YEAR	35,545,619	35,855,296
POTENTIAL ORDINARY SHARES UNDER THE STOCK OPTION PROGRAM	929,168	762,504
DILUTED NUMBER OF OUTSTANDING SHARES	36,474,787	36,617,800

In accordance with IAS the effects of potential shareholdings must be taken into account when determining the diluted earnings per share. For this purpose it is assumed that all exercisable options whose exercise price is below the average share price for the period were actually exercised. If during the reporting period all options which fulfill these conditions had been exercised, the number of outstanding shares would have increased by 929,168 shares (prior year: 762,504 shares). There are no diluting effects on the net income for the year of ComBOTS.

For the determination of the earnings per share the net income for the year attributable to the shareholders of ComBOTS AG was used in an amount of TEUR –33,339.

22. Information broken down by regions, segments and major customers

For fiscal 2006 merely one segment and neutral items are reported like in the previous year.

SEGMENTS 2006 in T €

	Personal digital communication 2006	Neutral items 2006	Group 2006
REVENUES	0	0	0
DEPRECIATION AND AMORTIZATION	6,603	0	6,603
EBIT (OPERATING RESULT)	−43,101	0	−43,101
EBITDA	−36,498	0	−36,498
SEGMENT ASSETS	40,456	519,472	559,928
SEGMENT DEBTS	5,337	68,634	73,971
INVESTMENTS	22,113	0	22,113

SEGMENTS 2005 in T €

	Personal digital communication 2005	Neutral items 2005	Group 2005
REVENUES	616	0	616
DEPRECIATION AND AMORTIZATION	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

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The neutral items include investment and marketable securities as well as liquid assets and dues to banks from the property leasing company. Furthermore, the VAT liabilities from the Portal sale on the one hand and the corresponding VAT receivable from United Internet in the same amount are reported here.
No geographic allocation of assets and debts was made, like in the previous year, since all assets and debts are attributable to Germany. Revenues were exclusively generated in Germany in fiscal 2005.
In fiscal 2005 and 2006 ComBOTS did not generate more than 10% of revenues with one specific customer.
A reconciliation of the values of segment reporting to the stated values can be taken from the following table:

RECONCILIATION STATEMENT OF INCOME TAXES in T €

	2006	2005
ASSETS ACCORDING TO SEGMENT REPORTING	559,928	474,998
/ Tax receivables	2,535	1,670
ASSETS ACCORDING TO CONSOLIDATED BALANCE SHEET	**562,463**	**476,668**
DEBTS ACCORDING TO SEGMENT REPORTING	73,971	27,837
/ Tax provisions	36	18,095
DEBTS ACCORDING TO CONSOLIDATED BALANCE SHEET	**74,007**	**45,932**
EBIT ACCORDING TO SEGMENT REPORTING	–43,101	–17,285
/ Interest income	6,999	4,586
/ Interest expenses	–610	–640
/ Investment income from associated companies	758	–85
/ Other investment income	586	0
/ Result from discontinued business line	0	285,935
/ Tax income	2,029	614
NET LOSS FOR THE YEAR (PY: NET PROFIT FOR THE YEAR) ACCORDING TO CONSOLIDATED PROFIT AND LOSS STATEMENT	**–33,339**	**273,125**

23. Transactions with Related Parties

Related persons and companies within the meaning of IAS 24 are persons and companies in respect of which one of the parties has the possibility to control the other party or exercise material influence.
Related companies are Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe as majority shareholder of ComBOTS AG as well as all subsidiaries and associated companies of ComBOTS AG. A further related company is the shareholder of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, SüdLeasing Immobilien GmbH. Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH is to be considered as parent company of ComBOTS AG, within the meaning of IAS 27.

Related persons include the members of the Executive Board, the Supervisory Board, and the senior management of the subsidiaries. The tax consulting firm Hansjörg Reiter GmbH, Karlsruhe, acts on a regular basis for the company. The managing partner, Mr. Hansjörg Reiter, is the Chairman of the Supervisory Board of ComBOTS. The amounts charged to ComBOTS for tax consulting activities amounted to TEUR 19 during the fiscal year (prior year: TEUR 17).
ComBOTS carried out transactions with Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH in the amount of TEUR 5 (prior year: TEUR 4). They include in particular the making available of different services. Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH provided services for ComBOTS in the fleet and cafeteria area in the amount of TEUR 93 (prior year: TEUR 290).

In 2005 ComBOTS took over several services for the then associated company Informia AG. ComBOTS charged TEUR 129 in this connection in fiscal 2005. In fiscal 2006 Informia AG was included as a fully consolidated subsidiary into the consolidated financial statements.
No transactions took place with Südleasing Immobilien GmbH during the fiscal year, like in the previous year.
Receivables from and liabilities to related companies did not exist, like in the previous year.

MEMBERS OF THE EXECUTIVE BOARD DURING THE FISCAL YEAR

	Further mandates
MICHAEL GREVE (CEO)	Managing Director of Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe
ROBERT GRATZL (CFO)	Managing Director of ComBOTS Corporate Services GmbH, Karlsruhe Managing Director of ComBOTS Management GmbH, Karlsruhe
MATTHIAS HORNBERGER (BOARD MEMBER IN CHARGE OF CORPORATE AFFAIRS)	Member of the Supervisory Board of Informia AG, Karlsruhe Managing Director of ComBOTS Corporate Services GmbH, Karlsruhe Managing Director of Internet-Abrechnung.de GmbH, Karlsruhe Managing Director of ComBOTS Management GmbH, Karlsruhe

TOTAL COMPENSATION FOR THE MEMBERS OF THE EXECUTIVE BOARD DURING THE LAST FISCAL YEAR in T €

	Michael Greve	Matthias Hornberger	Robert Gratzl
TOTAL COMPENSATION	250	250	250
STOCK OPTIONS ISSUED	none	none	none
STOCK OF OPTIONS	none	158,430	181,430

During the previous year compensations were not stated individually. In fiscal 2005 the total compensation amounted to TEUR 1,782. TEUR 927 were accounted for by fixed and TEUR 855 by variable components. Variable compensations were not accrued for the fiscal year. Within the framework of the stock option scheme of ComBOTS AG, the Executive Board held on the balance sheet date December 31, 2005 subscription rights for 342,860 ordinary shares of ComBOTS AG.

Details concerning the stock option scheme are explained under Section 17 “Share-based Payment”.

MEMBERS OF THE SUPERVISORY BOARD DURING THE FISCAL YEAR

	Other mandates
HANSJÖRG REITER, KARLSRUHE, TAX CONSULTANT (CHAIRMAN OF THE SUPERVISORY BOARD)	Managing Director of Steuerberatungsgesellschaft “Hansjörg Reiter GmbH”, Karlsruhe
DR HABIL KARL SCHLAGENHAUF, KARLSRUHE TECHNICAL MBA DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD	Chairman of the Supervisory Board of ADI Innovation AG, Ettlingen (previously adisoft AG, Karlsruhe), Chairman of the Supervisory Board of efa.ag, Cologne (until September 25, 2006), Member of the Supervisory Board of AP Automation + Productivity AG, Karlsruhe (until October 11, 2006), Chairman of the Board of JPKinstruments AG, Berlin, Member of the Supervisory Board of CAS Software AG, Karlsruhe, Managing Director of Kajak GmbH, Karlsruhe, Member of the Advisory Board of nAmbition GmbH, Dresden

> Members of the Supervisory Board during the fiscal year continued

MEMBERS OF THE SUPERVISORY BOARD DURING THE FISCAL YEAR

	Other mandates
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 of the members of the Supervisory Board amounted to TEUR 57 (prior year: TEUR 108). TEUR 57 (prior year: TEUR 63) were accounted for by fixed and TEUR 0 (prior year: TEUR 45) by variable compensation components.
Reportable shareholdings of executive and non-executive directors as of December 31, 2006:

REPORTABLE SHAREHOLDINGS

Executive Board	Shares	Options
MICHAEL GREVE	none	none
MATTHIAS HORNBERGER	47,353	158,430
ROBERT GRATZL	23,800	181,430
	71,153	**339,860**

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

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

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

In accordance with § 25 para 1 of the Securities Trading Act, the company submitted the notification of Mr. Felix Greve of December 23, 2002 in accordance with § 21 para 1 WpHG stating that his voting rights in the then WEB.DE AG, Karlsruhe, fell below the threshold 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 then WEB.DE AG disclosed on March 19, 2003 in accordance with § 21 para 1 sentence 1 of the Securities Trading Act 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 in accordance with § 21 para 1 sentence 1 WpHG. This was published in the official stock exchange gazette on March 21, 2003.

ComBOTS AG disclosed on November 17, 2005 in accordance with § 25 para 1 sentence 3 in conjunction with § 21 Para 1 WpHG that the share held by it in treasury shares in the amount of 5.68% (corresponding to 2,173,174 voting rights) is no longer held directly since November 10, 2005 but is now allocated in the full amount of 2,173,174 voting rights (corresponding to 5.68% of the nominal capital) in ComBOTS AG in accordance with § 22 para 1 No 1 WpHG. Furthermore, ComBOTS AG disclosed on behalf of ComBOTS Holding GmbH & Co KG, Karlsruhe, in accordance with § 25 para 1 sentence 3 in conjunction with § 21 para 1 WpHG that ComBOTS Holding GmbH & Co KG exceeded the threshold of 5% voting rights in ComBOTS AG on November 10, 2005. The voting right share amounts to 5.68%. This corresponds to 2,173,174 voting rights. However, in accordance with § 71b in conjunction with § 71d AktG the company has no rights (including voting rights) in respect of these shares since ComBOTS Holding GmbH & Co KG is a wholly owned subsidiary of ComBOTS AG. The acquisition of the share in voting rights is, therefore, treated like the acquisition of treasury shares.
In accordance with § 25 para 1 sentence 3 WpHG in conjunction with § 21 para 1 WpHG the company disclosed on July 28, 2006 by way of supplement to the notification of November 17, 2005 for its wholly owned subsidiary ComBOTS Management GmbH to the Federal Financial Supervisory Authority (BaFin) and published in Financial Times Germany of July 28/29/30, 2006 that ComBOTS Management GmbH exceeded the threshold of 5% of voting rights in ComBOTS AG on November 10, 2005. The voting right share amounts to 5.68%. This would correspond to 2,173,174 voting rights (corresponding to 5.68% of the nominal capital) which are allocated to ComBOTS Management GmbH as general partner of ComBOTS Holding GmbH & Co KG which is directly entitled to the above mentioned voting right share in the amount of 5.68% in accordance with § 22 para 1 sentence 1 No 1 WpHG.

In accordance with § 21 para 1 WpHG ComBOTS AG disclosed to the Federal Financial Supervisory Authority (BaFin) and United Internet AG, Montabaur on December 12, 2005 that ComBOTS AG exceeded the notification threshold of 5%. At that time ComBOTS held 3.8 million shares directly in United Internet AG, corresponding to 6.1% of the shares and voting rights.
All transactions with related persons and/or companies were carried out and evaluated as if they were transactions with independent third parties.

24. Legal Disputes

ComBOTS AG or its affiliates are not involved in court or arbitration proceedings which could have a material influence on the economic situation of the group. On December 31, 2006 two proceedings were, however, pending.
On the one hand a shareholder initiated an action in rescission against the resolution of the Annual General Meeting 2006 on the appropriation of the retained earnings. ComBOTS submitted a statement of defense but the oral proceedings before the Regional Court have not yet taken place. No burden for ComBOTS is expected under this litigation.
On the other hand an action under trademark law was instituted in respect of the name “ComBOTS”. The action was set aside at first instance by the

Regional Court Düsseldorf. In January 2007 the plaintiff lodged an appeal against the judgment in due time and the matter was referred to the next instance. A material burden for ComBOTS is not expected from this litigation. The company is not aware of any further activities or matters which could have a major adverse effect on the earnings, liquidity or financial position or had such impact within the last two years.

25. Events after the Balance Sheet Date

During the course of fiscal 2007 the projects and measures for product and organization development and to continue the progressive market launch were advanced full steam on schedule. This included several releases in respect of the core product and the business system. With these further product improvements the foundation was laid for abolishing in early February 2007 the previously existing restrictions of access and distribution. This constituted another essential milestone in the market launch of the product.

26. Supplementary Information

a. Treasury Shares

By resolutions of the Annual General Meeting of May 15, 2001, July 11, 2002, July 17, 2003, June 16, 2004, July 6, 2005 and July 13, 2006, the Executive Board was authorized to acquire, based on the principle of equal treatment at last until January 12, 2008, up to 3,800,000 shares of the company corresponding to almost 10% of the current nominal capital. On the balance sheet date December 31, 2006 ComBOTS held 2,883,222 (prior year: 2,505,934) treasury shares. This corresponds to a calculated share in the nominal capital of EUR 2,883,222 (prior year: EUR 2,505,934) or 7.50% (prior year: 6.53%). 1,244,404 shares or a share in the nominal capital of EUR 1,244,404 or 3.3% were acquired in 2001, 574,921 treasury shares corresponding to a share in the nominal capital of EUR 574,921 or 1.5% were acquired in 2002, 181,539 shares corresponding to a share in the nominal capital of EUR 181,539 or 0.5% were acquired in 2003 and 172,310 shares corresponding to a share in the nominal capital of EUR 172,310 or 0.45% were acquired in 2004. In fiscal 2005 the number of acquired treasury shares was 332,760 corresponding to a share in the nominal capital of EUR 332,760 or 0.87%.
In fiscal 2006 the number of purchased treasury shares was 377,288 corresponding to a share in the nominal capital of EUR 377,288 or 0.98%. The shares were acquired in 2006 at an average price of EUR 10.81.

b. Headcount and Personnel Expenses

The ComBOTS Group employed an annual average of 142 people (prior year: 355) during the fiscal year. Personnel expenses amounted during the fiscal year to TEUR 10,811 (prior year: TEUR 24,836). TEUR 9,544 (prior year: TEUR 21,559) were accounted for by wages and salaries and TEUR 1,267 (prior year: TEUR 3,277) were accounted for by social security costs. The contributions to the old age pension insurance and to exempting old age pension insurance amounted to TEUR 596 (prior year: TEUR 1,314) during the current fiscal year.

The staff had the following structure:

DEPARTMENTS

	ø 2006	ø 2005
MARKETING AND SALES	17	43
DEVELOPMENT AND SYSTEM ADMINISTRATION	83	149
PORTAL SERVICES	0	113
ORGANIZATION AND ACCOUNTING	42	50
	142	**355**

Prior year numbers are only comparable and relevant to a limited extent because of the Portal sale on October 31, 2005.

On the balance sheet date the Group employed 150 people.

c. Cost of Materials
The cost of materials in the Profit and Loss Statement drawn up in accordance with the period costing method amounted to TEUR 11,501 during the current fiscal year (prior year: TEUR 11,292).

d. Use of § 264b HGB (German Commercial Code)
Use was made of the relief option provided for in § 264b HGB (German Commercial Code) to waive financial statements drawn up in accordance with the regulations for corporations in the case of partnerships for the following companies:
* ComBOTS Products GmbH & Co KG
* ComBOTS Holding GmbH & Co KG

e. Information Concerning the Auditor
In accordance with § 314 No 9 HGB (German Commercial Code) the auditor received the following compensation, posted as an expense, during the last fiscal year:
* Fee for the audit of the financial statements: TEUR 80 (prior year: TEUR 70)
* Other services TEUR 0 (prior year: TEUR 50)

f. Shareholdings in Accordance with § 313 para 2 No 4 sentence 2 HGB (German Commercial Code)
On the balance sheet date ComBOTS AG holds 23,200,000 shares in United Internet AG, Montabaur. This corresponds to a share of 9.3% in the company. United Internet AG showed a shareholders' equity of TEUR 391,707 and a result of TEUR 106,507 in the last financial statements published on December 31, 2005.

g. Declaration Concerning the Corporate Governance Code
The Executive Board and the Supervisory Board have issued the Declaration on the Corporate Governance Code in conformity with § 161 German Stock Corporation Act and made such declaration permanently available to the shareholders on their website.

h. Release
These financial statements were released by the Executive Board for publication on February 16.

Karlsruhe, February 16, 2007
The Executive Board

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ComBOTS AKTIENGESELLSCHAFT KARLSRUHE
GROUP MANAGEMENT REPORT FOR 2006

1. Business and general situation

Strategic overview

Since 2000 our company has been listed on the stock exchange. In fiscal 2005 we took the decisive step towards a strategic alliance with the United Internet Group. Within the framework of the alliance we sold our own German Internet portal WEB.DE for then EUR 354 million in cash and shares to United Internet. Thanks to this transaction and despite the investments made into our future in the meantime, we had at the end of fiscal 2006 liquid funds and fungible securities exceeding EUR 460 million.

This means that we continue to have the financial strength to resolutely pursue our goal of becoming a highly successful worldwide company for Personal Digital Communication. Our operating business, and more particularly product management, the development, operation and distribution of ComBOTS, are carried out within the Group within our wholly owned subsidiary, ComBOTS Product GmbH & Co. KG. Customer contracts are entered into via a wholly owned subsidiary of ComBOTS Product GmbH & Co. KG, ComBOTS International GmbH. Within the Group, ComBOTS Corporate Services GmbH, a wholly owned subsidiary of ComBOTS AG, acts as a central service company.

Since the divestment of the Portal business, Personal Digital Communication is the new and only core business of ComBOTS. As opposed to the Internet portal business, this business has an international orientation and a strong software basis. The ComBOTS Group is to become an internationally operating technology supplier on the future-proof market of Personal Digital Communication in the long-term. We will continue to build up and improve the necessary technical, organizational and company law structures for that purpose.

The goal is a worldwide market leadership in Personal Digital Communication between people. Our business development will focus on the ComBOTS product family which, as an integrated communication solution, will combine relevant communication forms in a user-friendly manner and will be compatible with the most popular Internet-based terminal equipment around the world. Users will be able to communicate simply and intuitively through professional technology operating in the background. In the world of integrated communication every single user is to be enabled to have better communication thanks to these products and services. The ComBOTS product is to represent a completely new universe for many millions of users – spam-free, entertaining and confidential drag & drop communication. We are working day after day on the realization and distribution of this product. Every user can gather his family and friends on the desktop, send files by drag & drop, share emotions, call or exchange news with a simple click. ComBOTS is very easy to handle, extremely performing, involves a lot of fun and is 100% spam-free.

In 2006 we launched, as announced, both our highly innovative communication service ComBOTS in a first version for a limited group of test users and we created a fully developed, growth oriented technical infrastructure and organization. In this way we have laid the foundation for future growth.

As already in previous years we have continued to make significant investments in resources, patents and innovative solutions for the next generation of Personal Digital Communication products. We believe that ComBOTS is so useful, so fascinating and so progressive that there is nothing comparable on the world market for the moment. The reaction by the press to the presentation of the product confirms this perception,

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even if mass market success does not come overnight and we still have a long way ahead of us. We are convinced that we will reach our goals through resoluteness, consistent work and careful preparation of the next steps. The framework conditions on the market continue to be good. The penetration of the Internet as the most important communication means of the 21st Century and the associated digitization of our daily routines are permanently gaining in dynamics. The spread of digital terminal equipment and broadband Internet makes the anticipated rapid progress. A permanent connection to the Internet, “online always and everywhere”, is already a reality for large groups of users and hence a good platform for our success.

Our goal is to help people all over the world in view of better communication. In an increasingly complex digital world we strive for permanently giving every single person simplicity, control and private sphere in communication back. ComBOTS targets the world market, it is not a product restricted to Germany. It was designed and developed from the outset for international marketability and distribution. Consistent multilingual features, intuitive user guidance, internationally applicable payment methods and easy localization constitute the corresponding basis. ComBOTS focuses its distribution efforts on personal relationships within the framework of a social distribution concept. After the completion of the public beta phase, this viral spreading principle will be used on an even broader basis. The first ComBOTS users will invite friends to use ComBOTS and the latter will invite their own friends and so on.

ComBOTS is based on a business model which attracts the attention of users and holds the potential for enormous growth, high profit margins and recurring cash flows. Starting from the requirements of our customers, the ComBOTS business model is based on several cumulative income streams which mutually reinforce themselves. It encompasses individual sales (in the same way as cell phone providers sell logos and ring tones or companies like Apple sell music through iTunes) as well as monthly recurring income (such as base subscription fees for telephone or Internet connections). Further revenue sources can be tapped with sponsoring models. Some of the most sustainable business models in the world are hence successfully combined.
Despite our strong financial basis we act very economically as far as expenses and investments are concerned. The fact is that the Internet allows for a rapid and global spreading without any extensive marketing, budget and internationally renowned brands. There are many examples to illustrate this; we have proven this in the past ourselves with the WEB.DE portal

Performance indicators and success factors

We orient our business operations and measure our success against the classical economic performance criteria. Our focus is basically on long-term growth. This includes the readiness to make at present substantial investments within the meaning of an entrepreneurial approach in order to achieve the strategic goals of tomorrow.

We measure our entrepreneurial success by means of classical financial parameters, in particular EBIT, the operating income and the operating cash flow. Furthermore, the usual industry parameters for online and telecommunication business can be used for the assessment of our business success, such as the development of the number of users and customers, the ARPU (average revenue per user), conversion rates and other parameters of customer loyalty.

A relevant indicator for our future performance, which can already be measured today, is our technological innovative strength. Last year we filed applications for 24 patents. Overall, we have filed applications for 120 patents over the past years, of which 28 have in the meantime been granted; the others are still in different phases of patent review and approval. ComBOTS product design and product development does not make any compromise in terms of maximum requirements to be met by product quality. Essential criteria include the technological product architecture, a maximum scalability and system stability, user-friendly functionalities and product features as well as an intuitive usability.
An essential indication for the performance of the product and the attractiveness of the business model is the readiness of internationally renowned licensors to grant ComBOTS rights in respect of licensed figures and to have those primarily remunerated on a success basis.

Within the framework of the focusing and at the same time restriction of the own value added processes to our core competences, we place high demands on efficiency and quality of our operating procedures and processes. We impose the same high demands on the technical skills and methodological qualifications of our people. On the other hand, we promote and demand a high degree of sales responsibility and decision-making competence for our people. We attach particular importance to establishing and developing already today highly effective and highly scaleable organizational units. This includes proper appointments to all management and key functions in the company in view of the anticipated dynamic growth and the resulting higher requirements in terms of management and organization.

2. Earnings position

Shareholding in United Internet AG, Montabaur

Fiscal 2005 was marked by the sale of our Portal business to United Internet AG, Montabaur within the framework of a comprehensive alliance. Within the scope of this alliance United Internet took over the entire business unit Internet Portal with more than 450 employees, all corresponding technologies, assets as well as brands and marketing rights for a cash remuneration of EUR 200 million as well as 5.8 million shares in United Internet AG on October 31, 2005 with an economic effectiveness from September 30, 2005.

As a result of the takeover of the WEB.DE Portal, United Internet has become the German online advertising marketing company with the largest reach, with the portals WEB.DE, GMX and 1&1.de totaling a monthly reach of more than 18 million unique users. United Internet hence benefits to an above average extent from the future developments in online advertising, e-commerce and other online services. With our 9,3% share in United Internet AG we benefit directly from this positive development of the Internet and portal market in all areas (online advertising, DSL, online services, web hosting etc.).

Within the framework of the alliance the intention is, furthermore, that United Internet will offer our product ComBOTS to its entire user basis. In this way ComBOTS AG is optimally positioned to reach the German mass market.

At the time of the sale of the portal business the transaction volume amounted to EUR 354 million based on a value (adjusted for share split) of EUR 6.65 per share of United Internet at the time of transaction (October 31, 2005).
On December 31, 2006 ComBOTS AG continues to hold the block of shares in United Internet, i.e. 23.2 million shares since the share split of June 23, 2006.

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After a very positive business development, the price of the United Internet share increased during fiscal 2006 from EUR 8.11 (December 31, 2005) to EUR 12.51 (December 31, 2006). This has resulted in share price gains from the United Internet block of shares of around EUR 102 million in fiscal 2006. These share price gains are not recognized as income in the consolidated income statement but are shown with no effect on the net profit in the shareholders' equity.

Development of the continuing business line Personal Digital Communication in fiscal 2006

After intensive preparation and comprehensive investments in product and business development over the whole first half of 2006, we kept our promise and presented ComBOTS on the occasion of the annual general meeting on July 13, 2006 for the first time to the public at large.
The premiere show for the innovative product attracted a lot of attention and was very well received. We then began with the scheduled progressive market launch. A second major milestone was the start of the publicly available, so-called public beta version of ComBOTS at the International Consumer Electronics Show (IFA) in Berlin on September 1, 2006. Since that day everybody was able to register for the public beta test on our Homepage and was then progressively invited to use the service.

During the ongoing public beta phase we have continuously improved the service together with the test users with the clear goal of helping people worldwide to rediscover simplicity, fun and privacy in their Personal Digital Communication. Thanks to the intensive feedback we have been able to regularly supply all users with improved versions of the service since the beginning of the public beta test.
Within the framework of the public beta phase which started in September and will stretch beyond the end of 2006 we waived offering regular memberships and fee-based subscriptions to test users. According to the status of product development and launch we have not yet had any noteworthy sales during the last fiscal year and do not, therefore, show any revenues for 2006.

At the end of the year we succeeded in imparting a further boost to the high development speed. The results of these efforts will be presented with a series of improved product versions to the general public during the first quarter 2007. Further improvements will target user-friendliness, stability and resource use of the communication service.
For the full year 2006 expenditure for research and development as well as the other technical areas amounted to EUR 31.0 million versus EUR 13.1 million in 2005.

During the full fiscal year 2006 a completely new corporate structure and organization was built up with the goal of being prepared for future growth. This was of vital importance since a large part of the former headcount, including established structures, business processes and hardware, had been transferred at the end of 2005 during the divestment of the WEB.DE Portal to our strategic alliance partner United Internet. This was the contractual execution of the portal transaction. After we started again with a core headcount of committed people, we had 150 highly qualified and motivated employees at the end of 2006.

Together they constitute a listed, well organized group of companies and have enabled the demanding service to be launched together with a series of external experts.

During the fiscal year the general administration costs amounted to EUR 5.3 million (prior year: EUR 4.0 million) and marketing and advertising expenses, inter alia in connection with the product presentation and

the progressive market launch of the product, reached EUR 6.8 million (prior year EUR 0.7 million). A special highlight of the second half year was for us the conclusion of the first license agreements. We succeeded in convincing Viacom International, New Line Cinema, Paws and United Media, i.e. four of the internationally most renowned licensors, of our product and agreed on the integration of their licensed figures into ComBOTS. With the heroes from the trilogy “The Lord of the Rings”, the cult cartoon series SpongeBob but also ever-popular figures like Garfield and Peanuts we will certainly have an attractive offering with our service and our shop for both young and senior people in future. The first licensed collections are already available in our online shop. Others will follow and continuously enhance the product.
In the wake of the major efforts and investments in product development and launch and the build up of operating infrastructures, the EBIT from continuing business line amounts to EUR –43.1 million for fiscal 2006 versus EUR –17.3 million last year due to still lacking revenues.

Financial and investment result
The investment of existing liquidity as well as dividends from United Internet AG generated a positive financial income during the last fiscal year of EUR 6.4 million (prior year: EUR 4.0 million).
The liquid funds are almost exclusively invested in bonds and money market securities of different issuers within the scope of a basically conservative investment philosophy. Furthermore, there was a positive investment result from the shareholding in Informia AG, Munich, in the amount of EUR 1.3 million (prior year: –).

In accordance with the International Financial Reporting Standards (IFRS) the value increase of the United Internet block of shares in the amount of EUR 102 million was not recognized as income in the profit and loss statement, as already explained, but was rather offset as neutral in terms of net profit against the shareholders’ equity.

Income tax
The tax income of EUR 2.0 million is essentially attributable to earnings from the recognition of deferred tax assets up to the amount of the deferred tax liabilities shown with no effect on the net profit from the higher value of the United Internet block of shares.

Consolidated net income for the year
Fiscal 2006 was closed with a consolidated net loss of EUR 33.4 million. In 2005 the net profit for the year of the group amounted to EUR 273.1 million of which EUR 285.9 million were accounted for by the sale and discontinued operation of the WEB.DE Portal, and in the continuing business line a loss of EUR 12.9 million was incurred in the course of the product development of ComBOTS.

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3. Net assets and financial position

Cash flow statement

The essential cash and cash equivalent streams during the fiscal year can be presented as follows:

CAPITAL FLOW STATEMENT in Mio. €

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES	–37.9	2.1
CASH FLOW FROM INVESTING ACTIVITIES	–76.7	128.6
CASH FLOW FROM FINANCING ACTIVITIES	–1.9	2.6
CHANGE IN LIQUID FUNDS	–112.6	133.3
LIQUID FUNDS AT THE BEGINNING OF THE FISCAL YEAR	150.8	17.5
LIQUID FUNDS AT THE END OF THE FISCAL YEAR	**38.2**	**150.8**

The prior year figures included also the cash flows from the WEB.DE portal business sold in the meantime (additions from operating activities of EUR 13.9 million) as well as payment flows from the sale (additions from investments of EUR 149.3 million). The prior year numbers are, therefore, only comparable to a limited extent.

In fiscal 2006 the cash flow from operating activities amounted to EUR –37.9 million, as a result of considerable investments in product development, the preparation of the market launch and the organization built up.

In fiscal 2006 considerable investments were made in the ComBOTS business line with a total volume of EUR 22 million. These investments concerned primarily the operating infrastructure as well as the data center and server capacities in anticipation of the product launch (EUR 15.9 million) as well as software and software components (EUR 6.2 million). In fiscal 2006 two high-speed connections with a total bandwidth of 30 Gbit/s as well as a total of 5 data centers which are amongst the most efficient in Europe were commissioned with the corresponding network, server and router infrastructure. The existing connections allow for a converted capacity of exchange of more than 100 million pictures per hour between future ComBOTS users. Furthermore a total of 30 peering agreements were entered into with important partners in order to ensure free of charge exchange of data traffic, which is occurring in particular for multimedia applications.

With these measures we have prepared ourselves for the anticipated

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growth. The technical projects were completed in Q3/2006 so that another important milestone was achieved in the rollout plan. The discontinued operations of the WEB.DE portal resulted in disposals of cash and cash equivalents of EUR 20.2 million in 2006. They were attributable in an amount of EUR 18.0 million to trade tax payments on the disposal gain, VAT refunds of EUR 4.6 million as well as compensation payments of EUR 6.8 million to United Internet for the contractual take over of non-cash benefit obligations and customer down payments in the Portal areas WEB.DE Club and WEB.Cent. The payments were completely attributed to investments since they result from the divestment of the portal business.

Furthermore disposals of liquid funds are shown in the cash flow from investing activities because of investments in interest-bearing securities of EUR 38.9 million.

In fiscal 2006 377.288 treasury shares were acquired at acquisition costs totaling EUR 4.1 million or an average EUR 10.81 per share based on the empowerments of the annual general meetings 2005 and 2006.

Net assets and financial position

The following table shows in condensed form the key balance sheet items versus prior year:

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

	2006	2005
CASH AND CASH EQUIVALENTS AND SECURITIES	463	439
OTHER SHORT-TERM ASSETS	60	13
TANGIBLE AND INTANGIBLE ASSETS	39	24
OTHER LONG-TERM ASSETS	0	1
TOTAL ASSETS	**562**	**477**
SHORT-TERM LIABILITIES	62	36
LONG-TERM BANK LIABILITY FROM PROPERTY LEASING COMPANY	12	12
SHAREHOLDERS' EQUITY	488	429
TOTAL LIABILITIES	**562**	**477**

The balance sheet total increased by EUR 86 million compared to prior year. This resulted essentially from the posting of a VAT liability of EUR 56.7 million from the sale of the portal business in 2005 to United Internet and a corresponding receivable from United Internet also in the amount of EUR 56.7 million. These items posted under the short-term assets or the short-term liabilities result from a different assessment of the Portal sale in terms of VAT tax by the fiscal authorities which now consider it as taxable revenues. They will probably be offset in March 2007 by way of assignment of the corresponding VAT refund claim of United Internet against the fiscal authority to ComBOTS.

In the wake of the comprehensive investment activities during the last fiscal year the book values of tangible and intangible assets increased from EUR 24 million to EUR 39 million at the end of fiscal 2006.

The shareholders' equity of the ComBOTS Group amounts to EUR 488 million (prior year: EUR 429 million) or 87% of the balance sheet total as of December 31, 2006. With a net loss for the year of EUR 33.3 million reported in the profit and loss statement, the increase in the shareholders' equity results from the increase in value of the United Internet shares by EUR 102 million shown with no effect on the net profit.

On the balance sheet date the ComBOTS Group held a total of 2,883,222 treasury shares at acquisition costs of EUR 20.3 million (on average EUR 7.03 per share). The market value of these treasury shares amounted to EUR 28.0 million on the balance sheet day (valued at a price of EUR 9.72 per share as of December 31, 2006). The treasury shares are deducted with their acquisition costs from the shareholders' equity as a liability in the consolidated financial statements.

On December 31, 2006 there were no dues to banks except for liabilities in connection with the financing of the property in Karlsruhe within the framework of a property leasing relationship. Within the framework of this long-term real property leasing agreement the area "Amalienbadstraße" in Karlsruhe used for operating purposes has been leased. In this connection and as a result of additional investment measures in 2004 payment obligations with a cash value of EUR 11.8 million have resulted for the next 15 years.
Liquid funds and securities of the ComBOTS Group amounted to EUR 462.7 million (prior year: EUR 439.0 million) as of December 31, 2006. This corresponds to 82% of the balance sheet total.
Of the EUR 462.7 million, EUR 290.2 million are accounted for by the market value of the 23.2 million shares in United Internet (valued at the price on the balance sheet date of EUR 12.51/share) as well as by EUR 172.5 million of liquid assets and interest bearing bonds. ComBOTS is hence in a very sound financial position in order to reach its strategic objectives. The United Internet shares are reported as investment securities in the consolidated financial statements.

4. Employees

The business success of ComBOTS is very much dependent on the performance and commitment of its staff. For that reason, retention, motivation and recruitment of highly qualified people is of vital importance.
In addition to the payment of fixed salaries, the compensation system of ComBOTS provides in large parts of the company also for variable salary components which depend on the achievement of individually agreed performance targets. In order to have the staff participate in the long-term success of the company and to provide incentives for their long-term loyalty to the company, the employees of ComBOTS AG and its majority subsidiaries are integrated into an employee participation scheme in the form of a stock option plan.

Furthermore, ComBOTS attaches great importance to the technical and methodological advanced and further training of its staff through internal and external training and qualification schemes, particularly in the field of management development.

At the end of fiscal 2006 the ComBOTS Group had a total headcount of 150. The headcount as of December 31, 2006 breaks down by function as follows:

EXECUTIVE BOARD

	2006	2005
EXECUTIVE BOARD	3	3
SOFTWARE DEVELOPMENT AND IT	69	46
PRODUCT MANAGEMENT, MARKETING AND SALES	24	4
GENERAL ADMINISTRATION, FINANCE AND OTHERS	54	30
TOTAL	**150**	**83**

On the previous balance sheet date the headcount was 83. Consequently, a total of 67 new jobs were created during the last fiscal year.

5. Basic principles of the compensation system for the Boards of ComBOTS AG

The total compensation for the Executive Board and Supervisory Board includes both fixed and variable compensation components. In addition, individual members of the Executive Board were granted stock options in the past. The compensation of the members of the Executive Board is fixed at an appropriate level depending on their special missions and responsibilities, their individual performance as well as the economic situation and future perspectives of ComBOTS AG. All compensation components are appropriate on their own and as a whole.
In 2006 the fixed compensation of the overall Executive Board amounted to TEUR 750. In addition, each member of the Executive Board is paid a variable compensation in the amount of 0.5% of the positive group profit before income tax and limited to a maximum of 25% of the fixed compensation. Furthermore, the members of the Executive Board, except for the CEO, Mr. Michael Greve, were granted within the framework of the stock option plan of ComBOTS AG, subscription rights for the acquisition of shares in ComBOTS AG. Founder Michael Greve, who is not granted any subscription rights for shares of ComBOTS AG, has by way of compensation a claim to a fee which is based on the annual increase in market capitalization of the company. As soon as the market capitalization exceeds EUR 510 million Michael Greve receives at the end of the year a fee of TEUR 13 for every full increase in market capitalization by a further EUR 51 million.

In 2006 the fixed compensation of the whole Supervisory Board, composed of three members, amounted to TEUR 57. The compensation of the Supervisory Board of ComBOTS Aktiengesellschaft breaks down as follows:

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Every member of the Supervisory Board is paid a fixed as well as a performance-dependent compensation in the amount of 0.1% of the positive Group profit before income tax in accordance with the adopted consolidated financial statements, up to a maximum of TEUR 10. The elected Chairman of the Supervisory Board is paid the double of the fixed and performance-based compensation and the Deputy Chairman the 1.5-fold of the fixed and performance-based compensation. Apart from the compensation the members of the Supervisory Board are paid expenses in the amount of EUR 500 for every personal attendance of a meeting of the Supervisory Board.

6. Other information under § 315 para 4 HGB (German Commercial Code)

The fully paid up shareholders' equity of the company amounts to TEUR 38,429 as of December 31, 2006 (prior year: TEUR 38,362) and is subdivided into 38,428,841 (prior year: 38,361,230) registered no par value shares.

Furthermore, the Executive Board was authorized by the annual general meeting on July 17, 2004 to increase, with the approval of the Supervisory Board, the shareholders' equity during the period until July 17, 2008 once or several times by a total of EUR 15,250,000 by issuing new ordinary shares against cash or contributions in kind (authorized capital I).

Furthermore, the Executive Board is authorized to increase the shareholders' equity, with the approval of the Supervisory Board, during the period until July 17, 2008 once or several times by a total of EUR 3,800,000 by issuing new ordinary shares against cash (authorized capital II).

In addition, that annual general meeting proceeded to a conditional increase of the shareholders' equity by up to EUR 3,000,000 by issuing up to 3,000,000 new ordinary shares. The contingent capital increase serves for the granting of option rights and is only carried out insofar as the holders of options exercise their right (contingent capital I).
In accordance with a resolution of the annual general meeting of July 17, 2003 the shareholders' equity is conditionally increased by another amount of up to EUR 16,000,000 by issuing up to 16,000,000 new registered no par value shares with profit entitlement from the beginning of the fiscal year of their issuing (contingent capital II). The contingent capital increase serves for the granting of shares to owners or creditors of bonds with warrants or convertible bonds which may be issued in accordance with the above authorization by the company until July 17, 2008 by the company or a subordinated affiliate provided that the issuing is against cash. In this connection the Executive Board was empowered to issue options with warrants or convertible bonds with a total nominal amount of up to EUR 640,000,000 with a maturity of up to 20 years. The issuing of bonds may also be carried out against contributions in kind.

At the annual general meeting on July 6, 2005 the Executive Board was authorized to acquire until January 5, 2007 up to 3,800,000 shares of the company corresponding to a little less than 10% of the current shareholders' equity but as a whole not more than 10% of the shareholders' equity. This authorization to acquire treasury shares was extended at the annual general meeting on July 13, 2006 until January 12, 2008. As of December 31, 2006 the ComBOTS Group has 2,883,222 (prior year: 2,505,934) treasury shares which were acquired against payment of TEUR 20,255 (prior year: TEUR 16,175). The shares were not collected.

The appointment and dismissal of members of the Executive Board is governed by §§ 84, 85 AktG (German Stock Corporation Act). Any amendments to the by-laws are governed by §§ 179, 133 AktG. Moreover, the Supervisory Board is empowered to adopt amendments to the by-laws which only concern the version. Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe (50% of which is held by Matthias and Michael Greve each) continues to hold 21,584,505 shares in ComBOTS AG. This corresponds to a share of 56.17% of the shareholders' equity of ComBOTS AG on the balance sheet date.

7. Supplementary report

During the current course of fiscal 2007 the projects, schemes and measures for product and organizational development as well as for the continuation of the progressive market launch were advanced full steam ahead as planned. This included several releases of the core product as well as of the business system. With these further product improvements the foundations were laid to abolish the existing restrictions to access and distribution from the beginning of February 2007 onwards. Consequently, another major milestone in the launch of the product was achieved on schedule.

By February 15, 2007 the United Internet share price increased from EUR 12.51 on December 31, 2006 to EUR 14.80. Based on the share position of 23.2 million United Internet shares held by us, the increase in value of these shares amounted to EUR 53.1 million since the balance sheet date.

8. 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 connection ComBOTS understands efficient and forward-looking risk management as an important and value-creating task, and a decisive driver for the success of our business activities.

Within the framework of our group value management program we have set up a monitoring system which identifies, classifies and evaluates risks.

The goals of risk management include a systematic dealing with potential risks and the promotion of risk-oriented thinking and acting within the overall organization. The controlled management of risks is to contribute towards consistently seizing existing opportunities, increasing business success and hence enhancing shareholder value.

Risk management is aimed in particular at contributing towards improving risk awareness and risk transparency, identifying all major risks, controlling and monitoring them appropriately and ensuring reliable management information about the risk situation of the company.

The risk management of ComBOTS is guided by the following principles: Any entrepreneurial activity involves risks. Efficient risk management presupposes clear and unequivocal allocations of tasks and responsibility in the overall organization as well as a systematic risk management process. Risk management must be geared to all risks involved in business operations. Risk management is implemented by the senior management of the company as well as by the operating business units within the scope of their clearly defined responsibilities. Every employee has to manage risks deliberately in a self-responsible manner. 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. Risks are identified and assessed by the different functional managers for their areas, and measures for risk handling are formulated and implemented.

A risk inventory and evaluation are carried out in appropriate cycles. If there is any need to take action, appropriate measures for risk handling and tracking have to be taken and included into reporting. If necessary, the Supervisory Board is informed by the Executive Board within the framework of a Supervisory Board meeting.
A company-wide reporting system serves within the framework of risk management for short-term and topical reporting on acute risk situations.

Market and business risks
The ability of ComBOTS to generate material revenues based on the attractiveness of digital communication depends first of all to a large extent on the further successful and rapid market penetration of broadband Internet such as DSL and high performance mobile phone transmission standards such as UMTS. Furthermore, the further positive development of 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 enormous development efforts in the field of Personal Digital Communication and allocates high human and financial resources to the new Personal Digital Communication business line to be developed. If ComBOTS failed within an economically reasonable period in successfully developing a nationally and/or internationally marketable product in this business line and/or to distribute it successfully nationally or internationally with revenues which justify the high capital expenditure, this would have an adverse effect on the assets, financial and earnings position of ComBOTS and might require the total realignment of the business object, business model and strategic aims of the company.
The broad market launch of our product ComBOTS commences in early 2007. All the necessary projects and other measures for this purpose are currently developing on schedule. Of course future delays in individual ongoing or forthcoming projects cannot be excluded. If the broad market launch in Germany and/or on major international target markets were considerably delayed or altogether not successful, this might have a considerable adverse impact on the earnings position and might require full realignment of the business object, business model and strategic goals of the company. Against the backdrop of the excellent financial position of the company such a case which would jeopardize the continued existence of the company is not, however, anticipated.

With our product ComBOTS we want to establish a new communication category on the market. We are absolutely convinced that with its inherent product features and its innovative product design ComBOTS has excellent market opportunities. A final statement on the actual acceptance by future customers and the suitability of the product for the mass market cannot, however, be reasonably made at this stage. There is a risk that failure may occur or that the existing market potential (user, customer and revenue potential) is essentially over-estimated. Should the acceptance of the product not exist on the market or not exist to a sufficient extent, this would have a considerable impact on the future earnings position within the Group. This would apply, more particularly, if it were not possible to win over a sufficient number of users and/or customers for the product.

Internet use is currently already a matter of course on all large markets and in all industrial countries. The enormous benefits involved in Internet use for information and communication purposes are, however, also accompanied by increasing risks and impairments due to abuse.
The constantly increasing nuisance and threat of spam, viruses, Trojans, spy ware or phishing is today unfortunately already a matter of course in

Internet use. This involves the risk that the growing impairment by spam, viruses, phishing or the similar could lead to the acceptance of the Internet and/or our products or product security as such decreasing and/or disappearing with the corresponding major negative impact on our company development.

In the fields of digital communication and communication media such as Internet, mobile phones, digital photography and consumer electronics as well as in the field of terminal devices and hardware and in the field of applications and software applications there is an extremely high speed of innovation. Almost every day new terminal devices with additional functionalities and innovative applications are placed on the market. We assume that this speed of innovation will rather increase in future. We take up the challenge of this dynamically changing market environment in which the existing technological and industry boundaries between Internet, mobile phones, fixed line telephony, photography and consumer electronics are increasingly disappearing and markets are growing together. We consider this development as a confirmation of our strategic thrust and an enormous opportunity for our company and our products. At the same time the immense competitive dynamics of this highly attractive, future-proof market also include high risks. If ComBOTS failed to succeed in being competitive with its products and/or adjusting in due time to major market and product trends, this might have a considerable negative impact on the earnings situation and would possibly require a full realignment of the business object, business model and strategic goals of the company. Because of the excellent financial position of the company, the continued existence of the company is not, however, jeopardized in such a case.
The same would apply if we were not to succeed in developing our product in the dynamic and hotly contested competitive environment in such a way that it covers the needs of users, so that here would be no or only insufficient demand for our products.
ComBOTS is a product which has been developed for international and worldwide sales and uses. Even if the marketing of the product succeeded on the German market, we cannot yet rely on empirical evidence showing that the product will actually also be successful on international markets and, more particularly, on the major target markets USA, Korea and Japan. Should international sales fail, this would have a considerable impact on the growth potential and hence on the earnings position of the company.

The business model of ComBOTS is based on successful and proven business models of the online, telecommunications and entertainment industry. For that reason we absolutely assume that the business model of ComBOTS will actually be successful. Any final statement on this cannot, however, be made before the market launch. Should the business model of ComBOTS not be successful, this may have considerable negative effects on the earnings position and might require the full realignment of the business object, business model and strategic goals of the company. Given the excellent financial position of the company, a continued existence of the company is not, however, jeopardized in such a case.

Within the scope of the sales alliance intended with United Internet and essentially agreed upon at the sale of the Portal business, ComBOTS is to have access to the entire user base of the United Internet Group for own marketing and sales measures. This secures us an optimum positioning for broad market introduction through Germany‘s largest portal and Internet service provider. A final and concrete sales agreement has not, however, been concluded so far. If such an agreement, intended by both sides, were, contrary to all expectations, not entered into, alternative sales channels would have to be defined and sales measures would possibly have to be financed. Even if we do not assume that this may have an essential impact on the earnings position and business success of our company, we cannot exclude this once and for all.

The spreading of ComBOTS on the market is to occur mainly on the basis of viral marketing and so-called social distribution. The product's design was explicitly geared to this so that we see good opportunities for a viral distribution to be essentially successful. A final statement cannot, however, be made before the market launch. If viral spreading were not successful, we might have to deploy comprehensive and cost-intensive sales, advertising and marketing activities and measures which could entail a major burden on the earnings position. Given the existing good financial position within the Group, we currently assume that the capital requirements resulting from the sales, advertising and marketing activities can be financed through the existing own capital resources of the Group. The same could apply if and to the extent that existing statutory or other public law requirements or regulations in individual countries prevented or restricted viral distribution of the product in these countries or as a whole.

Operational business risks

The products and applications of ComBOTS are based on a technical infrastructure which encompasses highly sophisticated data centers, networks, servers, routers, storage systems, middle and software components. Any major impairment of one or more of these systems or performance problems of the systems at an increase in users which cause service interruptions of the applications or insufficient service levels in the product operation of ComBOTS, could have a lasting negative effect on the image and/or the business success. Such impairment may have a substantial impact on the assets, financial and earnings position of the company.

Any interference caused by Internet users, such as acts of sabotage, hacker attacks, viruses, Trojans or the similar cannot be categorically ruled out. This may also involve liability of ComBOTS to its users.

The expenditure involved in remedying damage caused by third parties or any image loss involved in this might have a substantial and adverse effect on the business, financial and earnings position of ComBOTS. At the same time it is currently not possible or only possible to a limited extent to take out insurance against such damage.

Product quality, supplier and co-operation risks

In the sourcing of technical components, products and services as well as in the provision of our portfolio of services and the implementation of our business processes we are dependent on third party suppliers, service providers and co-operation partners. In product quality and/or the provision of products, components and services there may be delays, quality and cost issues or other disruptions and impairments of performance which we cannot fundamentally rule out. Such incidents might cause considerable damage to our image and 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/or operated are strongly regulated. Compliance and conformity with existing or future statutory framework conditions, rules or conditions in the different countries in which ComBOTS is to be sold and/or operated, may require additional investments or measures to be carried out which may trigger corresponding, potentially substantial costs. In Germany, for instance, these provisions result from the Telecommunications Act, the Data Privacy Act or a planned regulation on inventory data storage. It cannot be completely ruled out that distribution or operation will not be possible for us on individual international markets because this would be contrary to concrete statutory provisions which we and/or our products cannot fulfill. By means of patents, trademarks or copyrights ComBOTS endeavors to protect its rights and its ownership. These rights are not always secured by state institutions. In particular outside Germany there are some regulations which offer considerably less or no protection at all or the enforcement of own claims is partly considerably more difficult. For that reason an abuse of rights and own technologies cannot be excluded. In order to minimize this risk, we enter into confidentiality agreements and contractual use restrictions with our partners, service providers and staff and we consistently pursue any infringements.

At the same time claims can be asserted against ComBOTS for infringement of rights or patents, for instance if claims are asserted in respect of intellectual property rights concerning the technologies, product components or the similar used by us of whose protection we were not aware or if we infringe any license agreements entered into or if users use the system in an illegal or non-statutory manner. Such claims can have substantial scope and if they cannot be successfully warded off, they may even have a jeopardizing impact on the continued existence of our business model, our business success and our assets, financial and earnings position.

Growth risks
ComBOTS continuously adjusts its internal structure, processes and resources to the future company development and the planned growth. Any failure in growth management, more particularly in organizational and personnel development or in respect of the timely and quality based development and improvement of the necessary technical infrastructure for the operation of the application and storage systems could result in business and growth objectives not being reached or could have a major adverse impact on the financial and earnings position of ComBOTS. The same applies if the company does not succeed in financing the capital requirements in respect of future investments which are necessary for the realization of the planned growth. In this case the business and growth objectives may possibly not be reached.

Human resources risks
The future business success of ComBOTS is dependent on the performance of our staff. Competition for highly qualified specialists and managers continues to be very high in our industry. In order to reach our corporate goals, we plan to considerably expand our business. To do so, we need many highly qualified specialists and managers. Our future success also depends on the extent to which we succeed in hiring these employees and integrating them, in order to permanently secure their loyalty to the company. The loss of key executives could also have a major adverse effect on the further development of ComBOTS.

Investment risks in connection with financial assets and investments
Against the backdrop of a basically conservative investment philosophy, liquid assets are invested almost exclusively in fixed interest bonds and money market securities of different issuers. The investment in fixed interest bonds with investment grade quality could involve variations in interest rate, solvency risks or the similar which could lead to share price losses for the securities and jeopardize or significantly reduce the profitability of investments by ComBOTS. A considerable part of the financial resources of ComBOTS is currently held in the form of 23.2 million shares in United Internet AG. In view of the joint sales alliance, we currently view these shares as strategic investment. The market value of these shares amounted to approximately EUR 290 million on December 31, 2006. Like all listed securities, these shares are subject to a risk of major share

price variations. Nor can considerable price losses basically be excluded because of general influences on the stock markets or specific corporate developments at United Internet. Such price losses could have a major negative impact on our assets, financial and earnings position.

Similar share price risks exist of course also in respect of the treasury shares as well as all other investments. During the coming years ComBOTS might further develop its business model and/or its technology basis through acquisitions and investments in companies. Unsuccessful investments can have major adverse effects on the assets, financial and earnings position of ComBOTS.

Warranty and performance risks, competition clause

In connection with the sale of the Portal business to United Internet, we furnished comprehensive warranties and representations in respect of the object of the agreement to the buyers in our capacity as sellers in accordance with standard practice for such transactions. The liability of ComBOTS AG under the violation of such warranties was limited to a total amount of EUR 100 million. Concerning the performance of the main service obligations, in particular transfer of title and other transfer obligations and the ancillary and indemnification obligations explicitly regulated in the asset contribution contract and/or in the share purchasing agreement with United Internet, an absolute maximum liability, together with claims under infringement of warranties, of EUR 300 million was agreed. In addition, a competition clause was agreed under which we are, amongst other, prohibited from operating an Internet portal in German-speaking countries or a web-based German e-mail service (like the e-mail services of WEB.DE, GMX, Yahoo, Amazon or T-online) for a period of two years from execution. In the event of violation of the competition clause, a non-recurring penalty of EUR 100 million becomes due. It must be offset against the maximum liability sum for warranty violations. With the full payment of the penalty the validity of the competition clause ends. So far United Internet has not asserted any claims. If claims were asserted in future against ComBOTS AG under these warranty or performance claims or for violation of the 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, for instance, due to seasonal effects on the business development, quarterly results are subject to major variations which could entail significant variations in the share price of ComBOTS AG.

9. Forecast

Personal Digital Communication as a future-proof market

The enormous potential of the future-proof market for integrated communication solutions is uncontested according to international experts and independent market observers. The ComBOTS Group started at a very early stage to conquer this promising market of integrated communication with its key product. On this young and emerging market ComBOTS is a highly sophisticated product which will consistently move towards the mass market.
The Executive Board is convinced that the supporting framework conditions such as “always on” broadband Internet connections and the acceptance of users of integrated communication products will continue to have an excellent development.

Future strategies and goals

We align the future corporate strategy to a rapid expansion of the business line Personal Digital Communication and expect to reach the profitability threshold in the very near future. This will first of all require

ongoing high capital expenditure in product development and the continuation of the market launch of ComBOTS. The development and improvement of a scaleable organization and infrastructure as well as of human resources will be driven by the market success.
The key corporate goals and milestones include:

Development of technological market leadership in the field of integrated digital communication solutions
The exclusive focusing on the new business line Personal Digital Communication is to enable ComBOTS to establish itself as a technological leader in the field of integrated digital communication solutions. The communication solution ComBOTS constitutes a highly sophisticated and performing technological product with which the company is positioning itself at an early stage on this future-proof market. It is secured by 120 patents and/or patent applications.

Internationalization
A major restriction of our former Internet portal business was its limitation to the German market. Since Personal Digital Communication is based on software solutions which will be compatible with the world‘s most commonly used Internet-based terminal devices and which will be independent of national markets in terms of technology and language, it is much better suited for international marketing. The national and international structures of the business line Personal Digital Communication are currently being developed. After a full market launch in 2007 ComBOTS is to reach also international markets as a mass market end user product.

Development of a licensing and co-operation system
In the medium-term the marketing of the ComBOTS product is to be driven through a license and co-operation based business model. Co-operations are planned on different levels of the marketing and added value chain. The alliance with the United Internet Group is to include a first step towards developing such a marketing system. Selected licensing and marketing partners are to be integrated and assume responsibility in specific target markets, for instance for customer contacts through their distribution channels, the sale and settlement of premium products as well as customer support. The ComBOTS Group would be in charge of the design of the product, technology and operation of the service.

Business planning
In fiscal 2006 and at the beginning of fiscal 2007 we have reached first major milestones within the framework of a progressive market launch. Based on our endeavors to achieve the targeted growth, we have created a sound basis for the product and the company. The course is now charted. However, we will not succeed overnight. With ComBOTS we launch the next generation of Personal Digital Communication on the market, based on our proven experience in the successful development and management of a growth and technology-driven company. 2007 will be a very important year for ComBOTS. Broad market launch, scaling of user and customer numbers with the goal of generating sustainable sales revenues and a further improvement of the product will be the focal points of our work. In this connection it is to be expected that losses will continue to be incurred during the quarters to come which can be financed, as scheduled, from the strong substance of the company.

Since the ComBOTS product has a considerable innovative value and has not yet been fully launched it is obviously not possible to derive any reliable and verifiable target numbers for the coming years. The extent and the speed of dissemination of ComBOTS on the market can at present not be seriously foreseen in concrete terms. For that reason we can merely develop scenarios based on the assumptions for a possible business development in coming years.

The business development in the coming two years will essentially depend first of all on whether we succeed in completing the progressive market launch of the product as scheduled. The business development will then depend decisively on the speed of penetration and product deployment on the German and major international markets.

The speed and extent of customer acquisition will be the main drivers for achieving breakeven. When breakeven will actually be reached can at present not seriously be foreseen precisely – before the market launch of the product is completed. The statements on future business development therefore contain an increased forecasting uncertainty.

If we succeed in achieving the milestones in product development and market launch during the coming months as scheduled, we currently assume that breakeven will be reached on a group level no later than in fiscal 2009. For 2007 we anticipate a negative consolidated pre-tax result of EUR 25 million. Depending on the business development we then expect a progressive decline in losses until we reach breakeven. We have now staffed almost all important positions in our company. The further extension and development of the organization and headcount will be driven by the business development in 2007.

Capital requirements, financing of growth and dividend policy
The financing of operating expenses until reaching breakeven will be covered from the existing company substance and liquidity.

Beyond that, the level of future capital requirements will largely depend on the following drivers:
If the product has the success anticipated by us on the market, there will be a major need for capital for the development of the technical infrastructure. We assume that in a positive scenario, i.e. in case of a fast and major product success, comprehensive investments will be required in data centers, servers and other infrastructure all over the world. Depending on the number of users gained, considerable capital expenditure may be involved. Whoever has observed the success stories of companies like Google, eBay and the similar knows that in the event of an enormous product success capital expenditure in a triple digit million range could become necessary.

Furthermore, any acceleration in revenues involves as a rule a considerable need for working capital. If we succeed in achieving high revenue success within a short period of time, this will also result in a substantial capital lockup in the form of receivables and other short-term current assets.

If we are successful – and only in that case – we will try to achieve this success also internationally on all important and leading markets and place it on a sound foundation. To do so, we will have to be locally represented on the respective foreign markets (such as in European countries outside Germany, in Japan, the USA and Korea) in order to take individual features and requirements of the local markets into due account in terms of product management and business systems.

In case of success, this will also require the acquisition of companies on foreign markets. In this connection, too, we need sufficient financial room for maneuvering in order not to jeopardize any future planned growth.

So far for the qualitative considerations on future growth scenarios from the current point of view and the corresponding requirements for financing. It should be emphasized that the financing requirements have a positive correlation to future business success. The higher the business success, the higher the short-term capital requirements to finance and secure corporate growth.

With regard to the 23.2 million United Internet shares we intend to continue to hold them as a strategic investment against the backdrop of the planned sales co-operation with United Internet.

Against this backdrop and in view of the future dividend policy we will, in a responsible manner, weigh corporate interests against shareholder interests for an appropriate dividend.

Karlsruhe, February 16, 2007
The Executive Board

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INDEPENDENT AUDITOR'S REPORT

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

"We have audited the consolidated financial statements prepared by ComBOTS AG, Karlsruhe, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Mannheim, February 16, 2007

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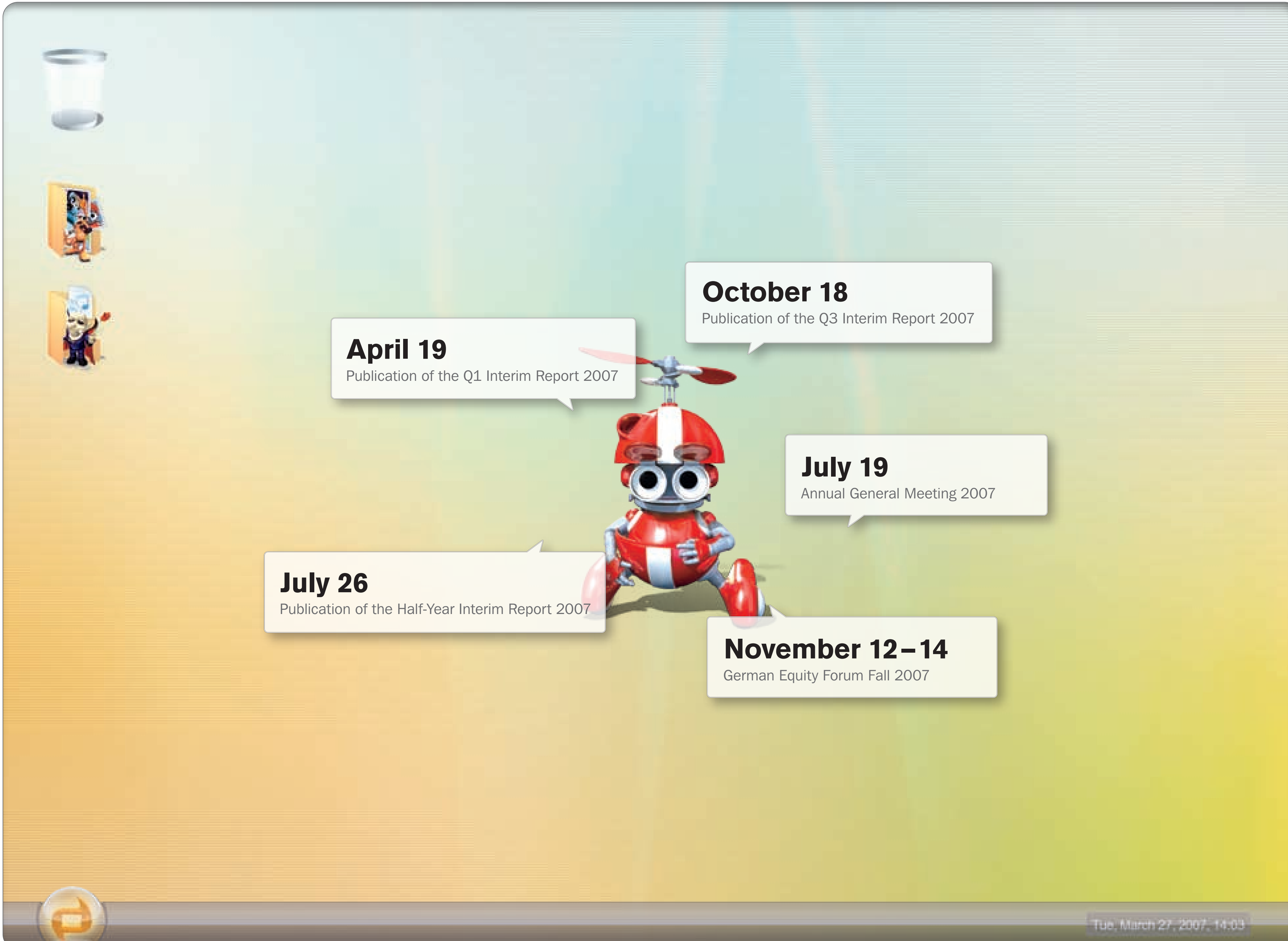
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April 19
Publication of the Q1 Interim Report 2007
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Annual General Meeting 2007
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Publication of the Half-Year Interim Report 2007
November 12–14
German Equity Forum Fall 2007
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