KIZOO
TECHNOLOGY VENTURES

KIZOO AG

ANNUAL REPORT 2008

CONTENT

LETTER TO THE SHAREHOLDERS

BY CEO AND FOUNDER MICHAEL GREVE

DEAR SHAREHOLDERS,

Fiscal 2008 was marked by the implementation of the company's strategic realignment. This process is now almost completed.
In May the Annual General Meeting confirmed the newly formulated strategy with a broad majority by adapting our business object and changing our company name to Kizoo AG. Furthermore, a dividend in the amount of EUR 1.20 was distributed to you, our shareholders. Together with the share buyback carried out during the first half year, more than EUR 70 million were paid back to the shareholders and the capital resources of the company were significantly adjusted.

Today, Kizoo AG is a financially sound technology venture company with excellent expert knowledge in creating and implementing internal and external ventures. We believe that in an increasingly difficult economic climate, there is more than every the need for specific long-term industry know-how and major opportunities for sound investments.

SUCCESSFUL MARKET ENTRY AS "KIZOO TECHNOLOGY VENTURES"

Within the framework of the new orientation of the company it was necessary to address two central areas in 2008. Firstly, the announced second phase of the restructuring and reorganization program was implemented. Our internal repositioning is now complete and current expenses have been significantly reduced.

Secondly, we had a successful entry on the venture capital market. Since mid-2008 we have been proactively operating under the claim Kizoo Technology Ventures, have set our standards and criteria and have analyzed and/or evaluated investments in both possible internal projects as well as external ventures.

In the meantime we have received and processed more than 200 investment enquiries. During the third quarter of fiscal 2008 the Group subsidiary Kizoo Technology Capital GmbH, Karlsruhe, invested in a young technology venture – Lesson Nine GmbH, Berlin, with its language learning portal Babbel.com. This shareholding highlights our investment focus: products and services in the Internet environment, online services and communication services, mainly targeted at final customers (Business to Consumer). We want to invest in the early stages (seed, start-up) and want to have a clear growth and route to market identified. In this context, it is necessary to have a proof-of-concept in the form of a viable product or a proven added value chain submitted at an early stage. We basically apply the same approach to the evaluation and implementation of products and business models through our internal resources.

For Technology Ventures we have earmarked a total investment volume of EUR 5 million i.e. 2% of our balance sheet total up to the end of 2009.

Our market entry took place in a difficult business environment but also in a phase of manifold technological changes. Against this backdrop we have deliberately limited the selection of investments, firstly to avoid entering on excessively high valuation levels and secondly because technological and economic opportunities and threats are difficult to assess in the current economic and financial crisis.

Nonetheless, our activities in the technology ventures market has shown us so far that there is a major need not only for financing but above all for the industry experience of Kizoo with a view to orientation and growth support for young technology ventures. This experience is seen as being extremely valuable and we intend to leverage this competitive edge in 2009 in order to position ourselves on the venture capital market and to seize the best investment opportunities.

EMPHASIS ON INVESTOR FOCUS

During the first half year we took important steps to adjust the capital resources of the company. With the dividend adopted by the Annual General Meeting, a total volume of EUR 40.3 million was distributed to our shareholders. Furthermore, we acquired shares for a total of EUR 30.2 million through the stock exchange and the public buyback offer launched in May. In this way a total of EUR 70.5 million was paid back to our shareholders in 2008.

Against the backdrop of the turmoil on the financial markets the Kizoo share, too, lost significantly in value, more particularly during the second half year. This unsatisfactory situation for both shareholders and the executive management should not, however, conceal the real values and the financial strengths of Kizoo AG. The equity capital of the company amounts to EUR 205 million as at the end of December. The equity ratio is 95%. In addition to the adjustment of the capital resources, the reduction in the equity capital is mainly attributable to the fundamental value losses of our financial investments, more particularly of the United Internet shares as a result of the impact of the financial crisis. This has also had a negative effect on our annual result.

SHAREHOLDING IN UNITED INTERNET

On December 31, 2008 the Kizoo Group still held 22,200,000 shares in United Internet AG; this corresponds to a share of 8.8% in the nominal capital as at the balance sheet date. One million shares were sold in May 2008 within the framework of the refinancing of the capital measures for a profit of EUR 7.1 million.

Triggered by the turmoil on the stock markets since the beginning of 2008 and further exacerbated by the plummeting value of its listed investments (Freenet, Versatel, Drillisch), the resulting need for write-off and the loss for the period of United Internet AG, the price of the United Internet share fell in fiscal 2008 from EUR 16.65 (December 31, 2007) to EUR 6.29 at the end of the year. Including the proceeds from the shares sold at a profit, the value of the United Internet package amounted as at December 31, 2008 to its value on the acquisition of the shares following the sale of the WEB.DE portal (October 31, 2005: EUR 154 million).

Based on the current level of the share, we are convinced that the United Internet share has a future upside potential. The company has a broad customer basis as well as a business model with a steady cash flow and earnings position even in a financial crisis and with high growth reserves in the event of a recovery of the markets. For that reason we intend to continue to hold a substantial financial investment in United Internet AG. The development of the investment is, of course, monitored on an ongoing basis against the backdrop of the developments on the capital market.

DIVESTITURE OF THE REAL PROPERTY AND DATA CENTER

From the former orientation of the company Kizoo still holds considerable assets in the fields Real Property and Data Center. The continuation and realization concepts elaborated for the latter within the framework of the new orientation were only implemental to a very restricted extent in the market environment in fiscal 2008. We, therefore, decided to now focus fully on the sale of the real property including the data center and to discontinue the operation of the real property and data center operation business line. For precautionary reasons we have made value adjustments in the financial statements for the data center in the amount of approximately EUR 3 million concerning the realization scenario. We hope that we will be able to complete the realization during the current year despite the difficult market conditions.

SUCCESSFUL CORE TEAM SECURED ON A LONG-TERM BASIS FOR THE COMPANY

The new orientation has also presented our organization and our people with major challenges. The necessary adjustment processes had to be accompanied and diverse new tasks had to be mastered with considerably reduced resources. This was possible above all because the core of the senior management team and key staff assumed their responsibilities in times of difficult decisions and made a substantial contribution towards the stability of the company. With this team we will also be able to master the challenges in the years to come.

2009 – MORE OPPORTUNITIES THAN THREATS

During a prevailing climate of crisis, a good balance sheet structure and a stable group of shareholders are of utmost importance. These are two characteristic features of Kizoo AG which allow the executive management and staff to continue on the chosen track. On the technology venture market the impact of the financial market crisis is not as obvious as in other industries. We expect conditions to improve in the course of the year and anticipate promising investments.

Risks emerging from the market environment are, however, obvious. Our financial investments, above all the shareholding in United Internet, involve great opportunities but also risks. Returns from these financial investments, which are to cover running costs during the natural investment phase in technology ventures, are difficult to plan and show a downward trend. Consequently, depending on the development of the year on the financial markets, we must also expect a loss in a low single digit million area. Overall, Kizoo AG should, however, close 2009 in a strengthened position.

We would be pleased if you continued, together with us, to pursue this new path and if we could count you amongst our shareholders in 2009 and beyond.

MICHAEL GREVE CHAIRMAN OF THE EXECUTIVE BOARD

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In fiscal 2008 the Supervisory Board of Kizoo AG maintained a regular and intense dialogue with the Executive Board of the company. It received on an ongoing basis both written and oral reports about the business development, the situation and the anticipated development of the company. This applied in particular during the phase in which the Executive Board and the Supervisory Board concretized the new orientation of the company and implemented it with the approval of the Annual General Meeting 2008. Furthermore, the turmoil on the financial markets and its impact on the company were an important topic of the Supervisory Board meetings in 2008.

I personally was in regular contact with the Executive Board, also outside Supervisory Board meetings during telephone calls and at least monthly talks on site in order to receive information about the strategy and the planning of the company, the current development, the business position and major business events. The Supervisory Board was informed within the framework of the Supervisory Board meetings.

In fiscal 2008 the Supervisory Board held a total of 16 meetings, namely on January 16, January 30, March 3, March 11, March 19, May 1, May 2, May 4, June 6, June 30, July 10, July 25, October 17, October 29, November 3 and December 12. In addition, the Supervisory Board adopted resolutions by correspondence as far as necessary.

No committees were set up by the Supervisory Board as the Supervisory Board of Kizoo AG consists merely of three persons.

During fiscal 2008 the Supervisory Board discussed significant business developments intensely with the Executive Board, supervised senior management and reached an express understanding of the planned projects of Kizoo AG. Insofar as the Supervisory Board had to deal, within this scope, with formal decisions as a consequence of existing reservations of approval pursuant to § 111 para 4 AktG (German Stock Corporation Act), it took these decisions after deliberations with the Executive Board.

During fiscal 2008 the deliberations of the Supervisory Board focused, inter alia, on the new orientation of the company, the development of revenues, results and employment as well as the financial position of Kizoo AG and the Group, more particularly against the backdrop of the worldwide financial crisis.

Together with the Executive Board we analyzed in a highly intensive manner the concretization of the new orientation of Kizoo AG. On March 19, 2008 the Supervisory Board approved the planned new orientation and proposed a corresponding adaptation of the object of the company to the Annual General Meeting. The business

activities are now geared, in addition to the existing focus, also to investments in young technology ventures, more particularly in the field of online services and communication products.

The Supervisory Board also accompanied the implementation of the restructuring measures planned and decided in 2007 on a continuing basis and obtained reports on a regular basis; the Chairman of the Supervisory Board was personally on site in order to receive information about the most recent state of implementation of the restructuring measures. The focus was on the execution of the realization and continuation concepts for the remaining assets, more particularly for the data center and the real property.

Throughout the year the Supervisory Board received reports about the development of the shareholding in United Internet and consulted with the Executive Board on the further strategy. Particular emphasis was placed on the decisions of May 1, 2008 based on which the company sold 1.0 million shares of its 23.2 million shares in United Internet AG. The proceeds of around EUR 14 million served as financing reserve for the new orientation of the capital market strategy. After the completion of the transaction the direct shareholding of Kizoo AG in United Internet still amounts to 8.8%.

Furthermore, the Supervisory Board engaged in intense consultations with the Executive Board about the share buyback of the company. On May 4 the buyback program through the stock exchange was terminated and the shareholders were submitted a public buyback offer. The offer was successfully completed on May 28. In this way the company had reached another important milestone in its new orientation and was able to focus on the execution of the technology ventures strategy. Within the scope of its implementation the company made its first investment in a young technology company – Lesson Nine GmbH, Berlin – on July 28, 2008.

The meeting on October 17 was marked by in-depth discussions about the developments and turbulences on the international capital markets in connection with the financial crisis as well as the impact on the financial investments of Kizoo AG. Within the framework of risk management for financial investments Kizoo AG shifted its portfolio of fixed-interest securities partly to cash assets. Through this measure the dependency of the company on the future development of the financial markets was reduced accordingly.

In accordance with Clause 5.5 of the German Corporate Governance Code the Supervisory Board deliberated about the activities of the tax consultancy company of Supervisory Board Member Reiter on March 3, 2009 and adopted a resolution in accordance with § 114 AktG. Supervisory Board member Reiter abstained from a vote in this matter.

At the Ordinary General Meeting on May 6, 2008 Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, was elected auditor for fiscal 2008.

The financial statements of Kizoo AG as of December 31, 2008, the management report and the consolidated financial statements as of December 31, 2008 and the Group management report were audited by the auditor and provided with an unqualified certificate in each case.

The financial statements, the management reports and the audit reports were submitted to the Supervisory Board and explained in detail at the financial statements meeting of the Supervisory Board on March 25, 2009. The auditor reported about the most significant results of his audit. The Supervisory Board took note of the result of the audit by the auditor and approved it. Furthermore, the Supervisory Board convinced itself of the independence of the auditor and obtained a written declaration in that respect.

The financial statements and the consolidated financial statements of Kizoo AG for fiscal 2008 as well as the management reports and the proposal of the Executive Board for the appropriation of the balance sheet profit were examined in detail 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 of the Group management report prepared by the Executive Board. In its meeting on March 25, 2009 the Supervisory Board of Kizoo AG, therefore, approved the financial statements and the consolidated financial statements of Kizoo AG prepared by the Executive Board. This means that the financial statements are adopted within the meaning of § 172 AktG.

The Supervisory Board approved the proposal of the Executive Board to carry forward in full the balance sheet profit of € 90,069,206.55 on new accounts.

The Executive Board of Kizoo AG also presented the Supervisory Board with its report for fiscal 2008 on relations with associated companies and submitted the corresponding audit report by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft. Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, issued the following certificate in its auditor's report on the audit of the report on the relations with affiliated companies:

"On the basis of our duty of examination and assessment, we hereby confirm that

1. the actual statements in the report are correct,
2. for the legal transaction specified in the report the consideration by the company was not unreasonably high or disadvantages were compensated;
3. the measures outlined in the report do not constitute grounds for a significantly different assessment from that of the Executive Board."

The Supervisory Board took approving note of the audit report by the auditor and examined the report by the Executive Board on Relations with associated companies. Based on the conclusions of its examination, the Supervisory Board has no objections to the declaration by the Executive Board concerning the relations with associated companies at the end of the report.

Under the German Corporate Governance Code the Executive Board and the Supervisory Board of Kizoo AG issued the annual declaration of conformity under § 161 AktG on December 9, 2008. This declaration was also published on the website of Kizoo AG under www.kizoo.com and made accessible on a permanent basis. The Executive Board and the Supervisory Board report in accordance with Clause 3.10 of the German Corporate Governance Code as amended on June 6, 2008 about Corporate Governance. This report is accessible on the Internet and on pages 12 – 22 of the Annual Report.

The Supervisory Board of Kizoo AG would like to thank the Executive Board as well as all former and current employees of Kizoo AG for their commitment and the work performed during fiscal 2008.

The Supervisory Board
Karlsruhe, March 25, 2009

HANSJÖRG REITER CHAIRMAN OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE REPORT

KIZOO 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.

/ THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF KIZOO AG

REPORT IN ACCORDANCE WITH CLAUSE 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

In accordance with § 161 AktG (German Stock Corporation Act) the Executive Board and Supervisory Board of listed stock corporations have to declare on an annual basis that they have complied with the recommendations of the Government Commission "German Corporate Governance Code" (GCGC) as published by the Federal Ministry of Justice in the official section of the electronic federal gazette and specify the recommendations that have not been applied. The declaration has to be made permanently accessible to shareholders.

The Executive Board and the Supervisory Board issued the annual declaration of conformity in accordance with § 161 AktG on December 9, 2008. It is published on the website of Kizoo AG under WWW.KIZOO.COM and in the Annual Report on page 22.

I. EXPLANATION OF INDIVIDUAL DEVIATIONS FROM RECOMMENDATIONS OF THE GCGC

By way of deviation from CLAUSE 3.8 PARA GCGC, the existing Directors' and Officers' Insurance of Kizoo AG does not provide for a deductible of the insured members of the Executive or Supervisory Board. Kizoo AG 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 a vis the company or third parties.

A deviation from the recommendation in CLAUSE 4.2.1 SENTENCE 2 GCGC ("Allocation of duties by means of bylaws") was made until March 19, 2008 and during the period from July 1, 2008 to December 9, 2008. These deviations were based on necessary new provisions governing the allocation of duties following changes in respect of the Executive Board of the company.

By way of deviation from CLAUSE 4.2.3 PARA 3 LAST SENTENCE GCGC, stock options are not limited in the event of extraordinary, unforeseen developments, as recommended in Clause 4.2.3 of the Code. This is based on the provisions of the stock option program decided by the Annual General Meeting in 2002.

Furthermore, the recommendations under CLAUSE 4.2.3 PARA 4 AND CLAUSE 5 GCGC ("Severance payment caps") are not applied. It is currently contested whether and how the new recommendations in Clauses 4.2.3 para 4 and para 5 GCGC are to be implemented in legal terms. The further developments will have to be seen. As for the rest, the deviation from Clauses 4.2.3 para 4 and para 5 GCGC are also due to competition considerations.

In addition, there is a deviation from the recommendation to form committees, more particularly an audit committee as well as a nomination committee (CLAUSES 5.3.1, 5.3.2 AND 5.3.3 GCGC), since the Supervisory Board is merely composed of three members and the formation of committees is neither practical given these circumstances, nor possible given the statutory requirement of a minimum number of three members for decision-making committees.

Finally, the recommendation under CLAUSE 7.1.2 GCGC ("Discussion of financial statements between the Management Board and the Supervisory Board") is not applied. The Executive Board informs the Supervisory Board regularly and in due time about the business development of the company. This also includes reporting about special incidents.

II. CORPORATE GOVERNANCE OF THE COMPANY

Shareholders

Shareholders exercise their management rights as a matter of principle in the Annual General Meeting. In fiscal 2008 the company simplified again the personal exercise of voting rights by the shareholders at the Annual General Meeting. For those shareholders who did not want or were unable to exercise their voting right themselves, the company nominated a non-discretionary proxy.

Close co-operation between the Executive Board and the Supervisory Board

At Kizoo AG the Executive Board and the Supervisory Board are co-operating very closely on an ongoing basis for the benefit of the company. There is an immediate, regular and close co-ordination between them. The Executive Board of Kizoo AG is bound by the company's interest in managing the company and is committed to increasing the enterprise value. The Executive Board elaborates the strategic orientation with the consent of the Supervisory Board and provides for its execution.

The by-laws of the company as well as the Rules of Procedure of the Executive Board regulate reservations of consent to decisions or measures which would fundamentally change the company's assets, financial and earnings position. The Supervisory Board receives all documents required for the decision-making processes which permit constructive and open discussions and decision-making at an early stage.

During their term of office the members of the Executive Board are subject to a comprehensive non-competition clause. In addition, sideline activities of members of the Executive Board and, more particularly, membership of other supervisory boards, require, as a matter of principle, the consent of the Supervisory Board.

The members of the Supervisory Board believe that the Supervisory Board has a sufficient number of members who are independent within the meaning of Clause 5.4.2.

Corporate Governance Officer

A Corporate Governance Officer was appointed. The latter monitors compliance with the German Corporate Governance Code.

Transparency

Kizoo AG informs its shareholders through the financial calendar, which is published in the Annual Report, in the Interim Reports as well as on the website of the company of all important dates.

The Executive Board of Kizoo AG reports, inter alia, regularly and taking into account the required equal treatment of all shareholders about all matters relating to the company in annual and interim reports as well as in ad-hoc disclosures. The above-mentioned reports and disclosures are also published on the website of Kizoo AG. The information is addressed to the Kizoo shareholders as well as all other interested persons visiting the Kizoo website.

Accounting and auditing

In its 2008 financial statements Kizoo AG prepared its accounts in accordance with the internationally recognized IFRS accounting principles. The auditor attended the Supervisory Board meetings during which the financial statements were discussed, reviewed and adopted by the Supervisory Board.

The auditor provided the Supervisory Board with the declaration of impartiality required by the Code; the auditor holds no other mandates at Kizoo AG beyond his duties as auditor.

III. COMPENSATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Since fiscal 2003 the Executive Board and the Supervisory Board have received performance-related compensation.

Executive Board

In fiscal 2008 the compensation of the Executive Board members was fixed at an appropriate level on the basis of a performance assessment which took into account the special duties of each Executive Board member, the performance of the Executive Board as well as the general economic situation, the success, the future prospects of Kizoo AG. All components of the compensation are appropriate both jointly and severally.

In 2008 the fixed compensation of the entire Executive Board amounted to TEUR 976. In fiscal 2008 the fixed compensation of the overall Executive Board amounted to TEUR 976. This includes the compensation of Executive Board member Robert Gratzl who left the company effective March 31, 2008 as well as for the newly appointed Executive Board member Frank Schüler from June 6, 2008 onwards. In addition, each member of the Executive Board is paid a variable compensation in the amount of 0.5% of the positive consolidated profit before income tax, which is limited to a maximum of 25% of the fixed compensation. Furthermore, the members of the Executive Board, except for the CEO, Michael Greve, were granted in the past, within the framework of the stock option plan of Kizoo AG, subscription rights for the acquisition of shares of Kizoo AG.

The Chief Executive Officer Michael Greve, who does not get subscription rights to Kizoo AG ordinary shares, is entitled by way of compensation to a bonus which is determined by the annual increase in the company's market capitalization. As soon as the market capitalization exceeds the limit of EUR 510 million, Michael Greve receives a bonus in the amount of EUR 12,800 at the end of the year for each full increase in market capitalization by another EUR 51 million.

COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD IN FISCAL 2008

(INFORMATION IN ACCORDANCE WITH CLAUSE 4.2.4) / IN T€

	Michael Greve	Matthias Hornberger	Robert Gratzl	Frank Schüler
TOTAL COMPENSATION	**250**	**253**	**307**	**166**
PERFORMANCE-BASED COMPENSATION	0	0	0	0
LONG-TERM INCENTIVE COMPONENTS	0	0	0	0
STOCK OPTIONS ISSUED	None	None	None	None
STOCK OF OPTIONS (SHARES)	None	86,430	86,430	46,336

Supervisory Board

In 2008 the fixed compensation of the entire Supervisory Board, consisting of three members, amounted to EUR 60,500.

The compensation of the Supervisory Board of Kizoo AG 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. The Chairman elected by the Supervisory Board receives 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 receive an expense allowance of EUR 500 for each personal attendance of a meeting of the Supervisory Board.

COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD IN FISCAL 2008

(INFORMATION IN ACCORDANCE WITH CLAUSE 5.4.7 PARA 3) / IN €

	Hansjörg Reiter	Karl Schlagenhauf	Felix Greve
FIXED COMPENSATION	20,000	15,000	10,000
PERFORMANCE-BASED COMPENSATION	0	0	0
EXPENSE ALLOWANCE FOR PERSONAL ATTENDANCE OF A MEETING OF THE SUPERVISORY BOARD	5,500	5,500	4,500
STOCK OPTIONS ISSUED	None	None	None
STOCK OF OPTIONS	None	None	None

The tax consulting firm Hansjörg Reiter GmbH, Karlsruhe, acts on a regular basis for the company. Its Managing Partner, Mr Hansjörg Reiter, is the Chairman of the Supervisory Board of Kizoo AG. The amounts charged to Kizoo AG for tax consulting activities amounted to EUR 24,000 (prior year: EUR 27,000) during the fiscal year.

IV. STOCK OPTION PLAN

Kizoo AG has a stock option plan for the benefit of its employees. Based on the stock option plan stock options are allocated to full-time employees. On December 31, 2008 814,187 (prior year: 1,164,356) options were issued to subscribe to Kizoo shares to employees and members of the senior management of Kizoo AG and its subsidiaries. The options may only be exercised if the Kizoo share price has increased at least once by 10% since the issue of the option. The exercised price is determined by the stock exchange price of the Kizoo 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 third to twentieth stock exchange trading day after the annual balance sheet press conference or the announcement of a quarterly or half-year report, and in the event of full exercise of the options the contingent capital would be used in an amount of up to TEUR 814 (prior year: TEUR 1,164). The options become forfeited after a maximum of 10 years.

V. DISCLOSURE OF THE DIRECT OR INDIRECT HOLDING OF SHARES OR RELATED FINANCIAL INSTRUMENTS BY MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

	Shares	Options
EXECUTIVE BOARD		
MICHAEL GREVE[1) 2)]	21,877,205	None
MATTHIAS HORNBERGER	73,049	86,430
ROBERT GRATZL (UNTIL 05/07/2008)	23,800	181,430
FRANK SCHÜLER (FROM 06/06/2008)	41,303	46,336
	22,015,357	**314,196**
SUPERVISORY BOARD		
HANSJÖRG REITER	None	None
DR. KARL SCHLAGENHAUF	None	None
FELIX GREVE[3)]	55,083	None
	55,083	**0**

1) Cinetic Gesellschaft für Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe, continues to hold 21,584,505 shares of Kizoo AG; Mr Michael Greve holds 50% in this company.
2) Michael Greve also indirectly holds 292,700 shares in Kizoo AG through MIRA Vermögensverwaltungs- und Beteiligungsgesellschaft mbH.
3) Felix Greve indirectly holds 55,083 shares of Kizoo AG through FARAH Vermögensverwaltungs- und Beteiligungsgesellschaft mbH.

VI. ACQUISITION OR DISPOSAL OF SHARES OF THE COMPANY OR RELATED FINANCIAL INSTRUMENTS DURING THE PAST FISCAL YEAR

In fiscal 2008 the following directors' dealings took place in accordance with § 15a WpHG (German Securities Transactions Act):

Date	Position in executive or non-executive body	Name	Security or derivative	Type of transaction	Items
01/18/08	Member of the Supervisory Board	Felix Greve	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	10,000
05/07/08	Member of the Executive Board	Frank Schüler	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	10,000
05/09/08	Member of the Executive Board	Frank Schüler	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	10,000
06/02/08	Member of the Executive Board	Frank Schüler	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	26,181
06/02/08	Member of the Executive Board	Matthias Hornberger	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	46,304
06/02/08	Legal entity in close relationship	FARAH Vermögensverwaltungs- und Beteiligungs mbH	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	34,917
06/11/08	Legal entity in close relationship	MIRA Vermögensverwaltungs- und Beteiligungs mbH	No par value registered ordinary share (ISIN: DE000CMBT111)	Purchase	113,000
06/11/08	Legal entity in close relationship	MAG Vermögensverwaltungs- und Beteiligungs mbH	No par value registered ordinary share (ISIN: DE000CMBT111)	Purchase	113,000
10/14/08	Legal entity in close relationship	Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH	No par value registered ordinary share (ISIN: DE000CMBT111)	Purchase	1,421,000
10/24/08	Legal entity in close relationship	MAG Vermögensverwaltungs- und Beteiligungs mbH	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	55,000
10/24/08	Supervisory Board	Felix Greve	No par value registered ordinary share (ISIN: DE000CMBT111)	Purchase	55,000
12/29/08	Member of the Executive Board	Matthias Hornberger	No par value registered ordinary share (ISIN: DE000CMBT111)	Sale	73,049
12/29/08	Natural person in close relationship	Isabella Hornberger	No par value registered ordinary share (ISIN: DE000CMBT111)	Purchase	73,049

During the first half-year another 638,132 treasury shares were acquired by Kizoo AG regularly through the stock exchange. The average purchase price amounted to EUR 11.08 per share so that the total purchase price amounted to TEUR 7,071 (prior year: TEUR 7,813). 95,000 of these treasury shares were disposed of again within the framework of the exercise of stock options.

Furthermore 1,979,544 treasury shares were acquired at a purchase price of EUR 11.66 per share based on a public buyback offer announced on May 4, 2008. The public offer of the company was accepted to a large extent by the shareholders of Kizoo AG so that an allocation quota of approximately 39% was achieved taking into account a prioritization for small shareholders.

The stock of treasury shares amounted to 3,417,861 shares or 9.73% of the nominal capital of the company as of June 30, 2008. With effect from June 30, 2008 they were completely retired. The subscribed capital of the company was reduced accordingly by EUR 3,417,861; the remaining difference between the acquisition costs of the shares and the nominal value was offset against the capital reserve in the amount of EUR 36,004,511. Taking into account the shares issued pursuant to the exercise of stock options, the nominal capital of the company amounted to EUR 31,711,412 on June 30, 2008. By the end of fiscal 2008 it was increased through further exercises of options by 5,800 new shares to EUR 31,717,212.

On the balance sheet date the Kizoo Group does not hold any treasury shares (prior year: 895.185 treasury shares).

KARLSRUHE, MARCH 2009 THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF KIZOO AG

LIST OF SHAREHOLDINGS OF KIZOO AG

(Corporate Governance Code Section 7.1.4)

Company, place of business	Share in %	Equity as of 12/31/2008 (in T€)	Result 2008 (in T€)
ONLINE DIENSTE KARLSRUHE MANAGEMENT GMBH, KARLSRUHE (FORMERLY: COMBOTS MANAGEMENT GMBH, KARLSRUHE)	100	44	4
705 WEST GMBH, KARLSRUHE (FORMERLY: COMBOTS PAYMENT SERVICES GMBH, KARLSRUHE)	100	17	–4
INTERNET-ABRECHNUNG.DE GMBH, KARLSRUHE	100	–115	–120
KIZOO TECHNOLOGY CAPITAL GMBH, KARLSRUHE (FORMERLY: COMBOTS CUSTOMER CARE GMBH, KARLSRUHE)	100	20	–3
KIZOO ASSET MANAGEMENT GMBH, KARLSRUHE (FORMERLY: COMBOTS INTERNATIONAL GMBH, KARLSRUHE)	100	178,750	0
ONLINE-DIENSTE KARLSRUHE DATA CENTER GMBH, KARLSRUHE (FORMERLY: COMBOTS DATA CENTER GMBH, KARLSRUHE)	100	20	–3
UNITED INTERNET AG, MONTABAUR*	9	596,803	181,972

* All data for fiscal 2007

DECLARATION IN ACCORDANCE WITH § 161 AKTG (GERMAN STOCK CORPORATION ACT) OF KIZOO AG

The Executive Board and the Supervisory Board of Kizoo AG hereby declare in accordance with § 161 AktG (German Stock Corporation Act) that the recommendations of the Government Commission "German Corporate Governance Code" as amended on June 14, 2007 – published in the electronic Bundesanzeiger (Official Gazette) on July 20, 2007 – have basically been complied with. The recommendations in connection with Clauses 3.8 para 2 ("Deductible"), 4.2.3 para 3 last sentence ("Possibility of Limitation"), 5.3.1, 5.3.2 and 5.3.3 ("Formation of Committees") of the German Corporate Governance Code have not been applied. The recommendation in connection with Clause 4.2.1 sentence 2 ("Allocation of Duties by means of Bylaws") of the German Corporate Governance Code was complied with from May 20, 2008 to June 30, 2008 and will again be complied with from December 10, 2008.

Since August 8, 2008 the recommendations of the Government Commission "German Corporate Governance Code" as amended on June 6, 2008 – published in the electronic Bundesanzeiger (Official Gazette) on August 8, 2008 – have basically been complied with. The recommendations in connection with Clauses 3.8 para 2 ("Deductible"), 4.2.3 para 3 last sentence ("Possibility of Limitation"), 4.2.3 para 4 ("Severance Payment Caps"), 4.2.3 para 5 ("Change of Control"), 5.3,1, 5.3.2, 5.3.3 ("Formation of committees") and 7.1.2 ("Discussion of financial statements between the Management Board and the Supervisory Board") of the German Corporate Governance Code have not been applied.

Karlsruhe, December 9, 2008

The Executive Board
MICHAEL GREVE CHAIRMAN OF THE EXECUTIVE BOARD

The Supervisory Board
HANSJÖRG REITER CHAIRMAN OF THE SUPERVISORY BOARD

CONSOLIDATED FINANCIAL STATEMENTS

01 ··

BALANCE SHEET (IFRS) FOR 2008

/ IN T€

	Notes No.	12/31/08	12/31/07
ASSETS			
LONG-TERM ASSETS			
INTANGIBLE ASSETS	15	81	117
PROPERTY, PLANT AND EQUIPMENT	14	1,010	6,293
REAL PROPERTY HELD AS FINANCIAL INVESTMENT	7, 8	0	16,592
OTHER LENDINGS	11	64	153
INVESTMENTS		400	0
MARKETABLE SECURITIES	12	25,961	67,413
TOTAL LONG-TERM ASSETS		**27,516**	**90,568**
SHORT-TERM ASSETS			
CASH AND CASH EQUIVALENTS	13	26,894	44,280
MARKETABLE SECURITIES	12, 13	142,748	404,201
TRADE ACCOUNTS RECEIVABELE	13	60	285
TAX REFUND CLAIMS	11	2,796	5,665
OTHER ASSETS AND DEFERRED EXPENSE	13	465	1,681
SUBTOTAL SHORT-TERM ASSETS		**172,963**	**456,112**
ASSETS OF A DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE	8	16,561	1,678
TOTAL SHORT-TERM ASSETS		**189,524**	**457,790**
TOTAL ASSETS		**217,040**	**548,358**

01 ••

BALANCE SHEET (IFRS) FOR 2008

/ IN T€

	Notes No.	12/31/08	12/31/07
LIABILITIES			
SHAREHOLDERS' EQUITY			
COMMON SHARES AT 1 EURO	18	31,717	35,001
CAPITAL RESERVE	18	44,254	80,408
OTHER RESERVE	18	–21,738	223,637
ACCUMULATED TOTAL RESULT	18	151,149	199,863
TREASURY STOCK	18	0	–10,350
TOTAL SHAREHOLDERS' EQUITY		**205,382**	**528,559**
LONG-TERM LIABILITIES			
DUE TO BANKS FROM THE PROPERTY LEASING COMPANY	17	0	11,630
TOTAL LONG-TERM LIABILITIES		**0**	**11,630**
SHORT-TERM LIABILITIES			
TRADE ACCOUNTS PAYABLE	13	253	806
PROVISIONS	16	1,094	3,893
TAX PROVISIONS	16	0	77
OTHER SHORT-TERM LIABILITIES	13	1,109	3,393
SUBTOTAL SHORT-TERM LIABILITIES		**2,456**	**8,169**
LIABILITIES CONCERNING NON-CURRENT ASSETS HELD-FOR-SALE	17	9,202	0
TOTAL SHORT-TERM LIABILITIES		**11,658**	**8,169**
TOTAL LIABILITIES		**217,040**	**548,358**

02 ··

CONSOLIDATED PROFIT AND LOSS STATEMENT (IFRS) FOR 2008

/ IN T€

	Notes No.	2008	2007
SALES REVENUES		0	0
COST OF SALES		0	0
GROSS PROFIT		**0**	**0**
MARKETING AND ADVERTISING	20	0	0
GENERAL ADMINISTRATION COSTS	20	–5,480	–4,204
RESEARCH AND DEVELOPMENT	20	–297	0
OPERATING RESULT		**–5,777**	**–4,204**
FINANCIAL INCOME	12	15,197	8,234
INTEREST EXPENSES	12	–12,681	0
FINANCIAL RESULT		**2,516**	**8,234**
NET RESULT BEFORE TAXES		**–3,261**	**4,030**
TAX INCOME/EXPENSE	20	–5	–2,562
RESULT FROM CONTINUED BUSINESS LINES		**–3,266**	**1,468**
RESULT FROM DISCONTINUED BUSINESS LINES	5, 6, 7	–5,137	–38,061
NET LOSS FOR THE YEAR		**–8,403**	**–36,593**
EARNINGS PER SHARE			
·· *undiluted*	22	–0.26	–1.05
·· *diluted*	22	–0.26	–1.05
EARNINGS PER SHARE FROM CONTINUED BUSINESS LINES			
·· *undiluted*	22	–0.10	–0.04
·· *diluted*	22	–0.10	–0.04
EARNINGS PER SHARE FROM DISCONTINUED PRODUCT LINE COMBOTS			
·· *undiluted*	22	–0.16	–1.01
·· *diluted*	22	–0.16	–1.01
AVERAGE NUMBER OF SHARES UNDILUTED	22	32,911,752	34,825,955
AVERAGE NUMBER OF SHARES DILUTED	22	33,333,931	35,585,921

03 ··

DEVELOPMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY 2008

/ IN T€

	Common stock	Capital reserve	Other reserves	Accu-mulated result	Treasury stock	Total
JANUARY 1, 2007	**38,429**	**104,776**	**129,050**	**236,456**	**–20,255**	**488,456**
CAPITAL INCREASE OF CONDITIONAL CAPITAL	367	1,798				2,165
CANCELATION OF TREASURY STOCK	–3,795	–26,308			30,103	0
ACQUISITION OF TREASURY STOCK					–20,198	–20,198
EFFECT FROM EMPLOYEE STOCK OPTION PLAN		142				142
EQUITY VARIATIONS WITH NO EFFECT ON INCOME FROM AVAILABLE-FOR-SALE SECURITIES			94,587			94,587
NET LOSS FOR THE YEAR				–36,593		–36,593
DECEMBER 31, 2007	**35,001**	**80,408**	**223,637**	**199,863**	**–10,350**	**528,559**
JANUARY 1, 2008	**35,001**	**80,408**	**223,637**	**199,863**	**–10,350**	**528,559**
CAPITAL INCREASE OF CONDITIONAL CAPITAL	133	–204			1,080	1,009
CANCELATION OF TREASURY STOCK	–3,417	–36,005			39,422	0
ACQUISITION OF TREASURY STOCK					–30,152	–30,152
EFFECT FROM EMPLOYEE STOCK OPTION PLAN		54				54
DIVIDEND				–40,310		–40,310
EQUITY VARIATIONS WITH NO EFFECT ON INCOME FROM AVAILABLE-FOR-SALE SECURITIES			–245,375			–246,419
NET LOSS FOR THE YEAR				–8,403		–8,403
DECEMBER 31, 2008	**31,717**	**44,253**	**–21,738**	**151,150**	**0**	**205,382**

04 ··

CONSOLIDATED CASH FLOW STATEMENT (IFRS) FOR 2008

/ IN T€

	Notes No.	2008	2007
NET CASH PROVIDED BY OPERATING ACTIVITIES			
NET RESULT FOR THE YEAR		–8,403	–36,593
INCOME FROM INTEREST AND DIVIDEND	10	–8,077	–8,234
INTEREST PAID	10	600	470
TAXES (PAID)		5	2,562
DEPRECIATION/AMORTIZATION ON INTANGIBLE ASSETS AND TANGIBLE ASSETS	14, 15	1,348	7,701
DEPRECIATION/AMORTIZATION ON INTANGIBLE ASSETS AND TANGIBLE ASSETS CLASSIFIED AS HELD-FOR-SALE	8	4,628	0
DISPOSAL OF FIXED ASSETS AND INTANGIBLE ASSETS	14, 15	–339	10,360
EXPENDITURE FROM EMPLOYEE STOCK OPTION PLAN	19	54	142
RESULT FROM SALES OF MARKETABLE SECURITIES	12	–3,537	1,149
RESULT FROM THE DEPRECIATION OF FINANCIAL ASSETS WITH AN IMPACT ON REVENUE RESULTS	12	9,055	0
CHANGES IN TRADE ACCOUNTS RECEIVABLE		–328	–251
CHANGES IN OTHER ASSETS AND PREPAID EXPENSES		1,216	–5,192
CHANGES IN SHORT-TERM LIABILITIES AND DEFERRED INCOME		–5,160	2,696
TAX REFUND	10	5,098	0
TAXES PAID	10	– 2,267	–3,020
CASH FLOW FROM OPERATING ACTIVITIES		**–6,108**	**–28,210**
·· thereof from continued business lines		–5,416	–10,109
·· thereof from discontinued business lines		–692	–19,025

04 ··

CONSOLIDATED CASH FLOW STATEMENT (IFRS) FOR 2008

/ IN T€

	Anhang Nr.	2008	2007
CASH FLOW FROM INVESTING ACTIVITIES			
INVESTMENTS IN INTANGIBLE ASSETS	15	–277	–1,059
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	14	–258	–288
INCOMING FROM DISPOSAL OF FIXED ASSETS AND INTANGIBLE ASSETS	14, 15	265	15
CHANGE IN MARKETABLE SECURITIES	12	52,602	43,797
DIVIDENDS RECEIVED	10	4,440	4,176
INTEREST RECEIVED	10	3,126	6,224
ACQUISITION OF ASSOCIATED COMPANIES LESS RECEIVED FUNDS		–400	0
INCOMING PAYMENTS FROM THE RETIREMENT OF HELD-FOR-SALE-ASSETS	8	1,704	0
CASH FLOW FROM INVESTING ACTIVITIES		**61,203**	**52,865**
·· thereof from continued business lines		59,499	47,689
·· thereof from discontinued business lines		1,704	–1,048
CASH FLOW FROM FINANCING ACTIVITIES			
DIVIDENDS PAID		–40,310	0
CAPITAL INCREASE	19	1,009	2,165
ACQUISITION OF TREASURY STOCK	18	–30,152	–20,198
REPAYMENTS OF LIABILITIES OF THE PROPERTY LEASING COMPANY	17	–2,428	–219
REPAYMENTS OF LOANS		0	195
INTEREST PAID	10	–600	–470
CASH FLOW FROM FINANCING ACTIVITIES		**–72,481**	**–18,527**
·· thereof from continued business lines		–69,496	–12,303
·· thereof from discontinued business lines		–2,985	–470
INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS		–17,386	6,128
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**44,280**	**38,152**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**26,894**	**44,280**

05 ··

SCHEDULE OF CHANGES IN GROUP FIXED ASSETS AS OF DECEMBER 31, 2008

/ IN T€

	Cost of acquisition and			
	1/1/08	Additions	Disposals	Reclassifi-cations
INTANGIBLE ASSETS				
LICENSES AND SIMILAR INTANGIBLE ASSETS	245	277	124	0
SELF-DEVELOPED INTANGIBLE ASSETS	231	0	0	0
	476	**277**	**124**	**0**
FIXED ASSETS				
PROPERTY, LEASHOLD RIGHTS AND BUILDINGS	0	0	0	834
PLANT AND MACHINERY	7,860	25	6,974	72
OTHER EQUIPMENT	1,585	147	35	–72
PAYMENTS ON ACCOUNT AND PLANTS UNDER CONSTRUCTION	60	50	60	0
	9,505	**222**	**7,069**	**834**
REAL PROPERTY HELD AS FINANCIAL INVESTMENT	**20,427**	**35**	**19,628**	**–834**
FINANCIAL ASSETS				
SHAREHOLDINGS IN AFFILIATED COMPANIES	48	0	0	0
OTHER LOANS	153	0	89	0
INVESTMENTS	0	400	0	0
INVESTMENT SECURITIES	67,413	0	32,397	0
	67,614	**400**	**32,486**	**0**
	98,022	**934**	**59,308**	**0**

production	Amortization and depreciation					Net book value	
12/31/08	1/1/08	Additions	Disposals	Reclassifi-cations	12/31/08	12/31/08	12/31/07
398	128	192	4	0	316	81	117
231	231	0	0	0	231	0	0
629	**359**	**192**	**4**	**0**	**547**	**81**	**117**
834	0	0	0	125	125	709	0
983	1,923	5,048	6,032	0	939	44	5,937
1,625	1,289	146	17	0	1,418	207	296
50	0	0	0	0	0	50	60
3,492	**3,212**	**5,194**	**6,049**	**125**	**2,482**	**1,010**	**6,293**
0	**3,835**	**591**	**4,301**	**–125**	**0**	**0**	**16,592**
48	48	0	0	0	48	0	0
64	0	0	0	0	0	64	153
400	0	0	0	0	0	400	0
35,016	0	9,055	0	0	9,055	25,961	67,413
35,528	**48**	**9,055**	**0**	**0**	**9,103**	**26,425**	**67,566**
39,648	**7,454**	**15,031**	**10,353**	**0**	**12,132**	**27,516**	**90,568**

05 ··

SCHEDULE OF CHANGES IN GROUP FIXED ASSETS AS OF DECEMBER 31, 2008

/ IN T€

	Cost of acquisition and			
	1/1/07	Additions	Disposals	Reclassifi-cations
INTANGIBLE ASSETS				
LICENSES AND SIMILAR INTANGIBLE ASSETS	4,077	158	3,990	0
SELF-DEVELOPED INTANGIBLE ASSETS	2,659	901	3,329	0
	6,736	**1,059**	**7,319**	**0**
FIXED ASSETS				
PROPERTY, LEASHOLD RIGHTS AND BUILDINGS	17,899	29	0	17,928
PLANT AND MACHINERY	22,917	149	15,809	603
OTHER EQUIPMENT	4,514	57	487	–2,499
PAYMENTS ON ACCOUNT AND PLANTS UNDER CONSTRUCTION	612	54	3	–603
	45,943	**289**	**16,299**	**–20,427**
REAL PROPERTY HELD AS FINANCIAL INVESTMENT	**0**	**0**	**0**	**0**
FINANCIAL ASSETS				
SHAREHOLDINGS IN AFFILIATED COMPANIES	48	0	0	0
OTHER LOANS	348	0	195	0
INVESTMENT SECURITIES	232,305	0	164,892	0
	232,701	**0**	**165,087**	**0**
	285,380	**1,348**	**188,705**	**0**

production	Amortization and depreciation					Net book value	
12/31/07	1/1/07	Additions	Disposals	Reclassifi-cations	12/31/07	12/31/07	12/31/06
245	988	1,051	1,911	0	128	117	3,089
231	0	897	666	0	231	0	2,659
476	**988**	**1,948**	**2,577**	**0**	**359**	**117**	**5,748**
0	2,847	991	4	–3,835	0	0	15,053
7,860	7,319	4,572	9,968	0	1,923	5,937	15,598
1,585	1,794	190	695	0	1,289	296	2,720
60	0	0	0	0	0	60	612
9,505	**11,960**	**5,753**	**10,666**	**–3,835**	**3,212**	**6,293**	**33,983**
20,427	**0**	**0**	**0**	**3,835**	**3,835**	**16,592**	**0**
48	48	0	0	0	48	0	0
153	0	0	0	0	0	153	348
67,413	–132,240	132,240	0	0	0	67,413	364,545
67,614	**–132,192**	**132,240**	**0**	**0**	**48**	**67,566**	**364,839**
98,022	**119,249**	**139,941**	**13,243**	**0**	**7,454**	**90,568**	**404,624**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01. THE PARENT COMPANY

Since 2000 Kizoo AG (until May 9, 2008 ComBOTS AG, previously WEB.DE AG), Amalienbadstrasse 41, 76227 Karlsruhe, has been listed on the stock exchange. The Kizoo Group is a development and investment company with a focus on Internet services and digital communication. Apart from own products, the Group invests primarily in young, innovative ventures with high growth potential. Furthermore, the Group holds an 8.8% shareholding in United Internet AG and hence participates in the growth and success of one of the leading German mixed Internet groups with offerings in the fields of Portal, e-Mail, DSL, Web Hosting and Online Advertising.

In the business year 2008, the operating business has been integrated into the business line "Technology Ventures" which includes the former business line "Communication Services". Within the framework of the implementation of its technology venture strategy the company made in July 2008 through the affiliated company Kizoo Technology Capital GmbH (previously ComBOTS Customer Care GmbH), Karlsruhe, a first investment in a young technology venture – Lesson Nine GmbH, Berlin, with its language learning portal Babbel.com. The first stage financing was carried out together with VC Fonds Technologie Berlin managed by IBB Beteiligungsgesellschaft, Berlin.

Furthermore, more than 200 additional investment requests were processed during the last fiscal year. No other binding shareholding commitments were made so far. For the Technology Ventures business line a total investment volume of up to EUR 5 million has been earmarked until the end of 2009.

In Q4/2007 the product "ComBOTS" was discontinued and extensive restructuring measures were initiated which are now completed. The realization of the assets which are no longer necessary for operations in the business lines "Real Property" and "Data Center Operation" (hereinafter also referred to as: "Data Center"), which will be discontinued in future, still remains to be carried out.

02. ACCOUNTING PRINCIPLES

Applied accounting standards

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). 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) were taken into account, whereby the provisions under § 315a HGB para 1 (German Commercial Code) were considered in accordance with their applicability within the EU. The following Standards and Interpretations were applied for the first time and/or had to be applied for the first time:

Amendments to IAS 39 "Financial instruments: recognition and measurement" and IFRS 7 "Financial instruments: disclosures": The amendments to IAS 39 and IFRS 7 were published in October 2008 and became retroactively effective from July 1, 2008. The amendments permit companies in certain cases reclassification of non-derivative financial assets from the category "Held for trading" and the category "Financial assets available for sale" into other categories. In the event of reclassification, additional disclosures are required. The Kizoo Group did not proceed to any reclassification of financial instruments in accordance with IFRS last year. The first time application of this Standard will, therefore, have no impact on the consolidated financial statements.

IFRS 8 "Operating segments": IFRS 8 was published in November 2006 by IASB and must be applied for the

first time to fiscal years which commence on or after January 1, 2009. IFRS 8 replaces IAS 14 Segment Reporting. The Kizoo Group decided last year in favor of an earlier application of IFRS 8. The impact on the consolidated financial statements can be taken from the prior year consolidated financial statements.

IFRIC 11 "Group and treasury share transactions": This Interpretation must be applied for the first time to fiscal years which commence on or after March 1, 2007. According to this interpretation agreements in accordance with which employees are granted rights in equity instruments of a company must be accounted for as share-based compensation transactions offset by equity instruments even if the company acquires the instruments from a third party of if the share-owners make the necessary equity instruments available. The Interpretation did not have any impact on the consolidated financial statements.

IFRIC 12 "Service concession arrangements": The Interpretation concerns the accounting for obligations taken over and rights granted within the framework of service concessions in the financial statements of the operator. This Interpretation is to be applied for the first time to fiscal years commencing on or after January 1, 2008. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The Interpretation has no impact on the consolidated financial statements.

IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction": IFRIC 14 gives general guidance on the determination of the limit of a surplus of a pension fund which can be recognized as an asset under IAS 19. The Interpretation must be applied for the first time to fiscal years commencing on or after July 1, 2008. Its application has no impact on the consolidated financial statements.

The Group has not yet applied the following Standards and IFRIC Interpretations, which have already been published but have not yet become effective:

Revised version of IFRS 1 "First-time adoption of International Financial Reporting Standards": The revised Standard IFRS 1 was published in November 2008. The revision of the Standard included merely editorial changes and a new structure of the Standard. It replaces the previous version and is effective for entities applying IFRSs for the first time for annual periods beginning on or after January 1, 2009. Earlier application is permitted. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The Kizoo Group has not decided in favor of an earlier application. The amendments to the Standard will not have an impact on the consolidated financial statements.

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial statements": The amendments to IFRS 1 and IAS 27 were published in May 2008 and are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The amendments to IFRS 1 allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments to IAS 27 concern merely the separate financial statements of a parent company and provide, more particularly, that all dividends of subsidiaries, jointly controlled entities and associates are recognized in the separate financial statements with an impact on the income statement. Transitional provisions provide, as a matter of principle, for a prospective application. The Kizoo Group has not decided in favor of an earlier application. The

amendments to this Standard will not have a material impact on the consolidated financial statements.

Amendments to IFRS 2 "Share-based payment": The amendments to IFRS 2 were published in January 2008 and are to be applied for the first time to fiscal years which commence on or after January 1, 2009. The amendments concern on the one hand the clarification that vesting conditions are service conditions and performance conditions only. On the other hand, the provisions on the accounting of a premature termination of share-based payment schemes is also extended to cases of termination by the employees. The transitional provisions provide for a retrospective application of the new provision. It is not expected that the application will have any impact on the consolidated financial statements.

IFRS 3 "Business combinations": The amended Standard IFRS 3 was published in January 2008 and has to be applied for the first time to fiscal years which commence on or after July 1, 2009. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The Standard was comprehensively revised within the framework of the convergency project of IASB and FASB. The essential amendments concern more particularly the introduction of an option right for the assessment of non-controlling interests between the measurement with the proportionate identifiable net assets (so-called purchased goodwill method) and the so-called full goodwill method according to which also the goodwill of the acquired entity attributable to non-controlling interests is measured. Furthermore, re-measurement recognized in the profit and loss statement of already existing interests and the coercive taking into account of a contingent consideration linked to the occurrence of future results at the time of acquisition must be pointed out when control is obtained for the first time (step acquisition). The transitional requirements provide for an application on a prospective basis of the revised Standard. For assets and liabilities resulting from business combinations prior to the first application of the new Standard there will be no changes. Within the framework of investments, Kizoo AG intends to apply the Purchase Goodwill Method. On this account, the application of this Standard will not have significant impact on the consolidated financial statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures": The Amendments to IFRS 7 were published in March 2009 and must be applied for the first time for annual periods beginning on or after 1 January 2009, with earlier application permitted. The amendments require enhanced disclosures about fair value measurements and liquidity risk. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The amendment to this standard is not expected to have any material impact on the consolidated financial statements.

IAS 1 "Presentation of financial statements": The amended Standard IAS 1 was published in September 2007 and must be applied for the first time to fiscal years which commence on or after January 1, 2009. The amendment to the Standard includes material changes in respect of the presentation and recognition of financial information in the financial statements. The amendments encompass, more particularly, the introduction of a complete set of financial statements including the result generated during a period as well as the profits and losses not yet realized which were so far shown within the shareholders' equity and replaces the profit and loss statement in its current form. Moreover, the balance sheet on the balance sheet date and the balance sheet on the last balance sheet date must be supplemented by a balance sheet at the beginning of the comparative period if the company applies

accounting and evaluation methods retroactively, corrects an error or reclassifies an item in the financial statements. These changes result in an amended presentation of the consolidated financial statements as of financial year 2009.

IAS 23 "Borrowing costs": The revised Standard IAS 23 Borrowing Costs was published in March 2007 and has to be applied for the first time to fiscal years commencing on or after January 1, 2009. This Standard requires a capitalization of borrowing costs which are directly attributable to a qualifying asset and hence replaces the option for capitalization under the existing IAS 23. The application of the revised Standard is not expected to result in any impact on the consolidated financial statements.

IAS 27 "Consolidated and separate financial statements according to IFRS": The amended Standard IAS 27 was published in January 2008. The amendments are effective for fiscal years beginning on or after July 1, 2009. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The amendments result from the joint project of IASB and FASB concerning the revision of accounting principles for business combinations. The amendments concern primarily the recognition of non-controlling interests (minority interests) which will participate in future to the full amount in the losses of the Group as well as of transactions which lead to the loss of control over a subsidiary and whose impact is in future to be recognized in the profit and loss statement. Disposals of investments which do not lead to the loss of control are, on the other hand, to be directly recognized in the equity capital. The transitional provisions provide for several exceptions from the basic retrospective application of the new provisions. The application is not expected to have any impact on the consolidated financial statements.

Amendments to IAS 32 "Financial instruments: presentation" and IAS 1 "Presentation of financial statements": The amendments to IAS 32 and IAS 1 were published in February 2008 and are to be applied for the first time for fiscal years which commence on or after January 1, 2009. The amendments concern the classification of puttable shareholder contributions as equity or debt capital. According to the previous regulation companies were partially forced to recognize the capital under the company law by virtue of legally fixed early termination rights of the shareholders as financial liability. In future these contributions by shareholders are to be classified as a rule as equity if a settlement is agreed on the basis of fair value and the contributions made constitute the most subordinate claim in respect of the net assets of the company. The application of the amended standards is not expected to have any impact on the consolidated financial statements.

Amendments to IAS 39 "Financial instruments: recognition and measurement": The amendments were published in July 2008 and are to be applied retrospectively to annual periods beginning on or after July 1, 2009, with earlier application permitted. The amended standard has so far not yet been adopted by the EU as part of the comitology process. These amendments clarify how the existing principles underlying hedge accounting should be applied in two particular situations. The Kizoo Group has not decided in favor of an earlier application of the amendments to IAS 39. The amendments are not expected to have any material impact on the consolidated financial statements of Kizoo AG.

IFRIC 13 "Customer loyalty programs": The IFRIC Interpretation 13 was published in June 2007 and must be applied for the first time to annual periods beginning on or after July 1, 2008. According to this Interpretation, loyalty award credits granted to customers must be accounted for a separate component of the sale

transaction in respect of which they are granted. Part of the fair value of the consideration received is allocated to the loyalty award credits granted and deferred as liability. The recognition as revenue occurs when the granted loyalty award credits are either exercised or lapse. Since the Group has not implemented any customer loyalty program, this interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 15 "Agreements for the construction of real estate": IFRIC 15 was published in July 2008 and becomes effective retrospectively for annual periods beginning on or after January 1, 2009. The amended standard has so far not yet been adopted by the EU as part of the comitology process. IFRIC 15 standardizes the accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, "off plan", i.e. before construction is complete. This interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation": IFRIC 16 was published in July 2008 and has to be applied prospectively for annual periods beginning on or after October 1, 2008. The amended standard has so far not yet been adopted by the EU as part of the comitology process. This interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation. Since the Kizoo Group has no foreign operation, the application of the interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 17 "Distribution of non-cash assets to owners": IFRIC 17 was published in November 2008 and requires prospective application for annual periods beginning on or after July 1, 2009. The amended standard has so far not yet been adopted by the EU as part of the comitology process. The interpretation deals, more particularly, with the accounting treatment and measurement of an obligation of distribution of non-cash assets and clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity at the fair value. The application of the interpretation is not expected to have any material impact on the consolidated financial statements.

IFRIC 18 "Transfer of assets from customers": IFRIC 18 was published in January 2009 and is to be applied to annual periods beginning on or after July 1, 2009. The interpretation is to be applied prospectively. A restricted retroactive application is permitted. The amended standard has so far not yet been adopted by the EU as part of the comitology process. IFRIC 18 is particularly relevant for the utility sector. The interpretation provides guidance for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The application of the interpretation is not expected to have any impact on the consolidated financial statements.

Omnibus Standard 2008: In May 2008 the IASB published within the framework of its first annual improvement procedures the first final Standard with amendments to existing IFRSs ("Omnibus Standard"). The annual improvement process is an annual project to address non-urgent, but necessary, minor amendments to Standards. The amendments focus on areas of inconsistency in IFRSs or where clarification of wording is required. This involved the following amendments which will, however, probably not have any material impact on the consolidated financial statements:

IAS 1 "Presentation of financial statements": It was clarified that financial instruments classified as held for trading are not necessarily required to be presented as current assets/current liabilities in the balance sheet. The classification as "current" is exclusively governed by the classification principles of IAS 1.

IAS 10 "Events after the balance sheet date": It was clarified that dividends which are adopted after the balance sheet date but before the authorization for publication of the financial statements do not constitute obligations on the balance sheet date and are therefore not recognized as liabilities in the financial statements.

IAS 19 "Employee benefits": Apart from the revision of several definitions it is clarified that changes in respect of the plan which result in a reduction of benefits for work to be performed in future periods have to be reported as plan curtailments. Amendments to the plan in respect of which the curtailment of benefits relates to work already performed must, however, be reported as negative past service cost.

IAS 28 "Investments in associates": Since the goodwill included in the carrying value of an investment in an associate is not reported separately, it is likewise not subject to a separate impairment test. Instead, the entire carrying value of the investment is subject as a single asset to the impairment test and decreased in value if necessary. It is also clarified that a reversal of such an impairment loss of an investment in an associate is to be recognized altogether as an increase in the investment and not to be allocated to any goodwill included in it.

IAS 36 "Impairment of assets": The mandatory disclosures to determine the recoverable amount and the fair value less costs to sell which is determined using discounted cash flows, were aligned.

IAS 38 "Intangible assets": In accordance with this new provision, expenditures for advertising measures can basically be recognized at an earlier date. Furthermore, the units of production method of amortization is to be used in future which is likely to result in lower amortization during a reporting period. The Group has reassessed the useful life of its intangible assets and reached the conclusion that the straight-line amortization method continues to be appropriate.

IAS 39 "Financial instruments: recognition and measurement": Derivatives may in future be reclassified into or out of fair value through profit or loss after initial recognition because they do not represent reclassifications for the purposes of IAS 39. Furthermore references to the designation of hedging instruments at the segmental reporting level were removed. Finally, it was clarified that the revised effective interest rate (EIR) should be applied for the valuation of a debt instrument on cessation of fair value hedge accounting.

IFRS 5 "Non-current assets held-for-sale and discontinued operations": It was clarified that all the assets and liabilities of a subsidiary should be classified as held-for-sale if the entity is committed to a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

Consolidation methods

The accounting, evaluation 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 Kizoo AG and all subsidiaries controlled by it. Control is deemed to exist if Kizoo AG has the possibility to determine the

business and financial policy of the respective 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 in the profit and loss statement.

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 insofar as there are no impairments. The necessary tax deferrals under IAS 12 "Income tax" are made in respect of the consolidation measures.

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 Kizoo AG include the financial statements of the subsidiaries over which Kizoo AG can exercise control within the meaning of IAS 27. This also includes companies in which Kizoo has no financial interest but which are to be classified 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:

- Activities: In substance, the activities of the SPE are being conducted for the benefit of the reporting company which has directly or indirectly set up the SPE for its specific business needs.
- Decision-making powers: In substance, 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: In substance, the reporting company has the majority of the benefits of the activity of the SPE in accordance with byelaws, 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: In substance, risks may be an indicator for a control if the company holds the residual or ownership risks and investors are only lenders because they are only exposed to a limited extent to profits and losses.

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

NAME/REGISTERED OFFICE OF THE COMPANY / Share in %

	Share in %
KIZOO ASSET MANAGEMENT GMBH, KARLSRUHE (PREVIOUSLY COMBOTS INTERNATIONAL GMBH, KARLSRUHE)	100
705 WEST GMBH, KARLSRUHE (PREVIOUSLY COMBOTS PAYMENT SERVICES GMBH, KARLSRUHE)	100
ONLINE-DIENSTE KARLSRUHE DATA CENTER, KARLSRUHE (PREVIOUSLY COMBOTS DATA CENTER GMBH, KARLSRUHE)	100
KIZOO TECHNOLOGY CAPITAL GMBH, KARLSRUHE (PREVIOUSLY COMBOTS CUSTOMER CARE GMBH, KARLSRUHE)	100
ONLINE DIENSTE KARLSRUHE MANAGEMENT GMBH, KARLSRUHE (PREVIOUSLY COMBOTS MANAGEMENT GMBH, KARLSRUHE)	100
INTERNET-ABRECHNUNG.DE GMBH, KARLSRUHE	100
SARAH GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG, MÜNCHEN	0

The financial statements of the subsidiaries are prepared for the same date as the consolidated financial statements.

Upon the entry in the commercial register on January 9, 2008 the previous wholly owned subsidiary ComBOTS Product GmbH (previously: ComBOTS Product GmbH & Co. KG) was merged into Kizoo AG (then: ComBOTS AG) effective May 1, 2007. In the consolidated financial statements of the previous year the subsidiary was included in the consolidated financial statements by way of full consolidation.

Between ComBOTS Product GmbH (previously: ComBOTS Product GmbH & Co. KG) and Kizoo Asset Management GmbH, Karlsruhe, there had been a profit and loss transfer agreement since September 15, 2006. This profit and loss transfer agreement was transferred with all rights and obligations to Kizoo AG upon the merger.

Upon the entry in the commercial register on May 7, 2008 the wholly owned subsidiary ComBOTS Corporate Services GmbH, Karlsruhe was merged into Kizoo AG.

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 the Kizoo Group are currently located and has let these premises since that time to the Kizoo Group. 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 the Kizoo Group and on the other a put and call option to acquire the shares in Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG by the Kizoo Group. The company was set up exclusively for the acquisition and letting of the building to the Kizoo Group and is operated exclusively for that purpose. The Kizoo Group 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 Kizoo AG as a special purpose entity.

Due to the projected disposal of the real estate the assets allocated to this business line were classified as held-for-sale.

Presentation

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 fair value. The consolidated financial statements are reported in EUR. Unless otherwise stated, all values are rounded up or down to thousands of Euros (TEUR) according to financial rounding. For computational reasons it is, therefore, possible that there are rounding differences in tables and references compared to the mathematically exact values. 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, liabilities 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.

Impairment of non-financial assets

The Group determines on each balance sheet date whether there are indications suggesting that the carrying value exceeds the recoverable amount. In order to estimate the value in use, the management must estimate the probable future cash flow of the asset or the cash generating unit and choose an appropriate discounting rate in order to determine the present value of this cash flow.

Non-current assets held-for-sale and discontinued operations

The Group classifies non-current assets or disposal groups as held-for-sale if the management has decided to dispose of an asset or a disposal group which is available for immediate sale in its current condition and if the corresponding carrying value is realized primarily by a disposal transaction and not by continued use. Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Within the framework of the determination of these values estimates must be made in respect of the probable disposal proceeds and costs.

Impairment of financial investments available for sale

The Group classifies certain assets as available for sale and recognizes changes to their fair value directly in equity. If the fair value decreases, the management makes assumptions on the value loss in order to determine whether this is an impairment which must be recognized in the profit and loss statement for the period.

Share-based compensation

The costs from the granting of equity instruments to employees are assessed on a Group level with the fair value of these equity instruments at the time of their granting. In order to estimate the fair value an appropriate measurement process must be determined for the granting of equity instruments; this is dependent on the terms and conditions of granting. Furthermore, appropriate data to be used in this measurement process need to be determined, including, more particularly, the probable term of the option, volatility and dividend yield as well as the corresponding assumptions.

Deferred tax assets
Deferred tax assets are posted for all tax losses carried forward not used to the extent that it is likely that taxable income will be available for that purpose so that the losses carried forward can actually be used. When determining the deferred tax assets estimates and assumptions are necessary concerning the anticipated time of occurrence and the amount of the future taxable income as well as the future tax planning strategies.

Provisions/contingent liabilities
Furthermore, estimates were made in respect of the classification of possible payment commitments as provision or contingent liability. This is determined by the classification of a benefit outflow as likely which leads to the recognition of a provision or as unlikely which would lead to a recognition as contingent liability.

The estimates and underlying assumptions are reviewed on a permanent basis. Corrections of estimates are stated during the period during which the estimate is reviewed and possibly also in later periods if the review concerns both current and later periods.

03. CHANGES TO THE SCOPE OF CONSOLIDATION

With an economic and tax effect the wholly owned subsidiary of Kizoo AG, ComBOTS Corporate Services GmbH was merged into the parent company Kizoo AG in fiscal 2008. The application for entry into the commercial register was submitted on April 29, 2008; the entry itself was made on May 7, 2008.

Upon the entry into the commercial register on May 9, 2008 the company name of the parent company was changed from Combots AG to Kizoo AG.

The names of the subsidiaries included in the consolidated financial statements were changed as follows during the last fiscal year: ComBOTS Data Center GmbH, was renamed Online-Dienste Karlsruhe Data Center GmbH, ComBOTS Management GmbH was renamed Online Dienste Karlsruhe Management GmbH, ComBOTS Payment Services GmbH, initially became Online-Dienste Karlsruhe Internet Services GmbH, and then 705 West GmbH, ComBOTS International GmbH, became Kizoo Asset Management GmbH, and ComBOTS Customer Care GmbH, was renamed Kizoo Technology Capital GmbH.

There were no other changes under company law.

04. ACCOUNTING AND VALUATION METHODS

Liquid assets

All current 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 carrying 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. The Kizoo Group defines the classification of its financial assets in each case upon the time of their first recognition.

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 as "available-for-sale". Available-for-sale securities are recognized at market value in the balance sheet. 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 recognized in the profit and loss statement.

If an available-for-sale asset is impaired, an amount which corresponds to the difference between the acquisition costs (less any redemptions and amortizations) and the current fair value (minus any impairment already recognized in the profit and loss statement at an earlier date) is transferred from shareholders equity to the profit and loss statement. Writeups for equity instruments which are not classified as available for sale are not shown in the profit and loss statement.

The evaluation 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. Derecognition of securities is carried out as soon as the Group loses the claim to payments under the securities or the latter expires.

Purchases and sales of securities of all categories are included in the consolidated cash flow statement as inflows and outflows from investments.

Derivative financial instruments

The Group has taken out a derivative financial instrument in the form of an interest swap. This derivative financial instrument is recognized at fair value at the time of conclusion of the contract and is recognized during the subsequent periods at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Gains or losses resulting from the change in fair value are immediately recognized in the profit and loss statement. The fair value of interest swap contracts is determined by referring to the market values of similar instruments.

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. Until ist reclassification into the discontinued business lines as of December 31, 2008, the building of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG was depreciated using the straight-line method over 40 years. Since the date of the reclassification no depreciation is made. The useful life for IT hardware is three years and for the other fixtures and fittings it varies between four and 10 years. No use is made of the option to capitalize outside capital expenses for qualifying assets.

Tangible assets are either derecognized 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 the Kizoo Group 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 two to five years by the straight-line method.

The Kizoo Group 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, unscheduled depreciations must be carried out in accordance with IAS 36 "Impairment of assets", if events or changes indicate that the carrying value of these assets is impaired. If there are any 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 per value minus costs of disposal). If it is lower than the carrying 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.

Until the discontinuation of the product "ComBOTS" part of the *development costs* arising in connection with the setting up of the business system were capitalized in accordance with IAS 38 and then written off in an unscheduled manner to the extent that value could no longer be allocated to them.

Treasury shares

Treasury shares held by Kizoo AG and its subsidiaries are openly deducted with their acquisition costs from the subscribed capital. The acquisition, sale, issuing and cancellation of treasury shares do not result in a profit or loss. This does not apply to the servicing of stock options exercised by members of staff with treasury shares.

Liabilities

Current liabilities are reported with their repayment or settlement amount. Non-current liabilities are recognized in liabilities at amortized costs.

Provisions

Provisions are set up if the Group 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 the Kizoo Group has a possibility of inflow of economic benefit and this inflow of benefit is probable.

Information on contingent liabilities is given if the Kizoo Group 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 losses directly recognized in shareholders' equity according to other standards and interpretations. "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

The Kizoo Group 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 expenses are posted in capital reserves or on a pro-rata basis over the periods until these condition are met.

Realization of earnings

The Group does currently not generate any noteworthy revenues.

Earnings from interest are reported if it is likely that the economic benefit will accrue to Kizoo and the amount of earnings can be reliably determined. Dividends are realized as earnings if there is a legal claim to dividend payments. The earnings are measured with the fair value of the consideration obtained.

Tax expenses

Actual tax liabilities

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.

Deferred taxes

The Kizoo Group shows income taxes in conformity 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 liabilities by means of the expected statutory tax rates for those years during which it is expected that differences will balance each other out.

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. Deferred tax liabilities are built for all deductible temporary differences.

Deferred income taxes which relate to items whose changes in value are directly recognized in the shareholders' equity are likewise recognized 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.

05. DISCONTINUED PRODUCT LINE "ComBOTS"

The Executive Board and the Supervisory Board of Kizoo AG decided on September 25, 2007 to discontinue the further development of the free-of-charge service "ComBOTS" and to give the company altogether a new orientation.

Starting in 2007, the company carried out a restructuring which included both the adjustment of the internal

DISCONTINUED PRODUCT LINE / IN T€ (UNLESS OTHERWISE STATED)

	1/1/ – 12/31/08	1/1/ – 12/31/07
REVENUES	0	7
COST OF SALES	0	–6,472
MARKETING AND ADVERTISING	0	–3,945
GENERAL ADMINISTRATION COSTS	0	–634
RESEARCH AND DEVELOPMENT	0	–13,349
RESULT BEFORE TAXES	**0**	**–24,393**
TAX EXPENSES	0	0
RESULT AFTER TAXES	**0**	**–24,393**
RESULTS FROM DISCONTINUATION OF THE PRODUCT LINE	424	–10,930
TAX EXPENSES	0	0
RESULT FROM THE DISCONTINUED PRODUCTLINE	**424**	**–35,323**
AVERAGE NUMBER OF OUTSTANDING SHARES		
·· *undiluted*	32,911,752	34,825,955
·· *diluted*	33,333,931	35,585,921
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF CURRENT BUSINESS ACTIVITIES (€)		
·· *undiluted*	0.00	–0.70
·· *diluted*	0.00	–0.70
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF DISPOSAL (€)		
·· *undiluted*	0.01	–0.31
·· *diluted*	0.01	–0.31
EFFECT ON THE TOTAL EARNINGS PER SHARE (€)		
·· *undiluted*	0.01	–1.01
·· *diluted*	0.01	–1.01
NET CASH FLOW OF THE DISCONTINUED PRODUCT LINE FOR THE OPERATING ACTIVITIES	–692	–18,101
NET CASH FLOW OF THE DISCONTINUED PRODUCT LINE FOR THE INVESTMENT ACTIVITIES	1,704	–1,048
NET CASH FLOW OF THE DISCONTINUED PRODUCT LINE FOR THE FINANCING ACTIVITIES	0	0

and external development capacities linked to the project and the reduction of existing capacities for the making available of the service as well as a corresponding reduction of the operational organization. This restructuring was completed in 2008.

As a result of the decision in Q4/2007, the assets of the discontinued product line "ComBOTS" were broken down into assets which were to be disposed of within the framework of the discontinuation and assets which were or should no longer be used after the realignment of the company.

The assets to be disposed of and/or to be no longer used were classified in accordance with IFRS 5 as available for sale and consequently measured at the lower of carrying value and the expected disposal proceeds less costs to sell. This includes, in particular after the realignment, software licenses and IT equipment no longer needed (mainly servers and routers) which were devalued to the expected net disposal proceeds.

Assets which could no longer be used and for which a disposal was not possible, were devalued to zero and de-recognized.

For assets which are to be continued to be used in the company, an impairment test within the meaning of IAS 36 was carried out as of December 31, 2007.

For the additional costs incurred in connection with the discontinuation of the product, corresponding provisions in the amount of TEUR 2,349 were made on December 31, 2007. The value of the provisions amounts to TEUR 37 on December 31, 2008. The result from the discontinued business line mainly arises from the dissolution of provisions.

The assets to be realized were sold through the affiliated company Internet-Abrechnung.de GmbH in 2008. The realization is completed apart from residual values which are of subordinate significance.

The values shown in respect of the discontinuation of the product line "ComBOTS" in the profit and loss statement as well as in the cash flow statement broke down on the balance sheet date and on December 31, 2007 as shown in the table on page 47.

06. DISCONTINUED BUSINESS LINE "DATA CENTER OPERATION"

After the discontinuation of the product "ComBOTS", the newly set up Data Center was supposed to be realized within the framework of housing and/or hosting services. In this connection a business line "Data Center Operation" was created. In 2008 different activities were deployed (direct address, Internet, marketer, realizer) in order to implement the continuation concepts. Since these have not been successful so far, the focus since the end of the financial year was on the realization of the assets allocated to the business line "Data Center Operation".

The assets available for sale were classified in accordance with the provisions of IFRS 5 as held-for-sale and valued with the lower of carrying value and expected sales proceeds minus cost of sales. Further details, *see "8. Non-current assets available for sale"*.

The general administration costs mainly concern depreciations on the fixed assets allocated to the discontinued business line.

The values shown in the profit and loss statement and the cash flow statement for the discontinuation of the

business line "Data Center Operation" broke down as follows on the reporting date and on December 31, 2007:

DISCONTINUED BUSINESS LINE "DATA CENTER OPERATION"

/ IN T€ (UNLESS OTHERWISE STATED)

	1/1/ – 12/31/08	1/1/ – 12/31/07
REVENUES	0	0
COST OF SALES	0	0
MARKETING AND ADVERTISING	0	0
GENERAL ADMINISTRATION COSTS	–4,329	–1,528
RESEARCH AND DEVELOPMENT	0	0
RESULT BEFORE TAXES	**–4,329**	**–1,528**
TAX EXPENSES	0	0
RESULT AFTER TAXES	**–4,329**	**–1,528**
RESULTS FROM DISCONTINUATION OF THE BUSINESS LINE	133	0
TAX EXPENSES	0	0
RESULT FROM THE DISCONTINUED BUSINESS LINE	**–4,329**	**–1,528**
AVERAGE NUMBER OF OUTSTANDING SHARES		
·· *undiluted*	32,911,752	34,825,955
·· *diluted*	33,333,931	35,585,921
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF CURRENT BUSINESS ACTIVITIES (€)		
·· *undiluted*	–0.13	–0.04
·· *diluted*	–0.13	–0.04
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF DISPOSAL (€)		
·· *undiluted*	0.00	0.00
·· *diluted*	0.00	0.00
EFFECT ON THE TOTAL EARNINGS PER SHARE (€)		
·· *undiluted*	–0.13	–0.04
·· *diluted*	–0.13	–0.04
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE OPERATING ACTIVITIES	0	–516
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE INVESTMENT ACTIVITIES	0	0
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE FINANCING ACTIVITIES	0	0

07. DISCONTINUED BUSINESS LINE "REAL PROPERTY"

The business line "Real Property" (formerly: "Building Realization") concerned essentially the land and building, Amalienbadstraße 41, Karlsruhe held by Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG ("Sarah"). The company acquired the land and the building in which the business premises of the

DISCONTINUED BUSINESS LINE "REAL PROPERTY"

/ IN T€ (UNLESS OTHERWISE STATED)

	1/1/ – 12/31/08	1/1/ – 12/31/07
REVENUES	0	0
COST OF SALES	0	0
MARKETING AND ADVERTISING	0	0
GENERAL ADMINISTRATION COSTS	–582	–740
RESEARCH AND DEVELOPMENT	0	0
FINANCIAL RESULT	–650	–470
RESULT OF THE BUSINESS LINE BEFORE TAXES	**–1,232**	**–1,210**
TAX EXPENSES	0	0
RESULT OF THE BUSINESS LINE AFTER TAXES	**–1,232**	**–1,210**
RESULTS FROM DISCONTINUATION OF THE BUSINESS LINE	0	0
TAX EXPENSES	0	0
RESULT FROM THE DISCONTINUED BUSINESS LINE	**–1,232**	**–1,210**
AVERAGE NUMBER OF OUTSTANDING SHARES		
·· *undiluted*	32,911,752	34,825,955
·· *diluted*	33,333,931	35,585,921
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF CURRENT BUSINESS ACTIVITIES (€)		
·· *undiluted*	–0.04	–0.03
·· *diluted*	–0.04	–0.03
EFFECT ON THE EARNINGS PER SHARE AS A RESULT OF DISPOSAL (€)		
·· *undiluted*	0.00	0.00
·· *diluted*	0.00	0.00
EFFECT ON THE TOTAL EARNINGS PER SHARE (€)		
·· *undiluted*	–0.04	–0.03
·· *diluted*	–0.04	–0.03
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE OPERATING ACTIVITIES	–90	–408
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE INVESTMENT ACTIVITIES	0	0
NET CASH FLOW OF THE DISCONTINUED BUSINESS LINE FOR THE FINANCING ACTIVITIES	–2,985	–470

Kizoo Group are located today and has let those to Kizoo AG. 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 and on the other a put and call option to acquire the shares in Sarah by Kizoo AG.

The company was set up exclusively for the acquisition and letting of the real estate to Kizoo AG and is operated exclusively for that purpose. Kizoo AG 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 Kizoo AG as a special purpose entity.

The Real Property was supposed to be let or sold in accordance with the continuation and realization concepts. Last year, the Real Property was, therefore, shown under "Real estate held as financial investment".

Now, the focus is, however, on a sale. Letting is no longer striven for. Since the Real Property in question is the land and building of Sarah, which is included as SPE in the consolidated financial statements, in which the Kizoo Group does not have any shares, a direct sale of the Real Property by the Kizoo Group is currently not possible. An agreement has been reached with the shareholder of Sarah that in the presence of a concrete purchasing offer, there is a willingness to prematurely terminate the contractual relationships while preserving the respective economic interests.

During the last fiscal year according to the prior year no rental income was generated from the Real Property held as financial investment. At the same time expenses in the amount of TEUR 582 (prior year: TEUR 740), including TEUR 492 (prior year: TEUR 332) scheduled depreciations in connection with the Real Property were recorded. For the Real Property a valuation was made on the basis of the expected discounted cash flow. This valuation was based on indications by real property experts. On this basis it can be assumed that the purchase price, minus costs to sell, which can be obtained exceeds the carrying value of the Real Property of TEUR 15,321.

The values shown in respect of the discontinuation of the business line "Real Property" in the profit and loss statement as well as in the cash flow statement broke down on the balance sheet date and on December 31, 2007 as shown in the table on page 50.

08. NON-CURRENT ASSETS AVAILABLE FOR SALE

The assets to be disposed of and/or to be no longer used are classified in accordance with IFRS 5 as held-for-sale and consequently measured at the lower of carrying value and the expected disposal proceeds less costs to sell. This includes during the previous year the development costs concerning the "ComBOTS" product and the associated operating systems capitalized as well as further assets allocated to the operation "ComBOTS" which were devalued to the expected selling price less costs to sell of a total TEUR 50.

As far as the technical equipment of the business line "Data Center Operation" intended to be sold is concerned this includes, more particularly, emergency power systems, air-conditioning, switching stations/controls, UPS systems, fire alarm systems and fire extinction plants, racks, modular security facilities and other fixtures. These fixtures are now valued to the expected selling price less costs to sell at a total of TEUR 1,100 taking into account an unscheduled depre-

ciation as of December 31, 2008 of TEUR 3,102 based on offers from potential interested parties.

Land and Real Property are carried with carrying values of a total TEUR 15,321 as of December 31, 2008.

09. IMPAIRMENT TESTS DURING THE CURRENT YEAR

IAS 36 requires companies to check on each reporting date whether there are indications for impairment. If there are such indications, an impairment test has to be carried out.

As a result of the reorientation of the Group and the associated discontinuation of parts of the previous business operations an impairment test had to be carried out for the assets which are to be continued to be used by the company and, therefore, are to be attributed to the continuing operations.

After the discontinuation of the business lines "Real Property" and "Data Center Operation", the business line "Technology Ventures" remains the only business line and hence the only cash generating unit (CGU) of the Kizoo Group. It includes the CGU communication services reported last year.

The recoverable amount of the cash generating unit was determined on the basis of the calculation of a value in use based on current cash flow forecasts, which are originating from the financial plans prepared by the Executive Board. The discounting used for the cash flow forecasts is 15% p.a. according to the prior year.

During the past fiscal year securities classified as available for sale with a nominal value of TEUR 11,000 were devalued following a review of the securities in terms of their impairment based on the solvency of the issuing institutes by TEUR 9,055 with recognition in the income statement.

The technical equipment of the business line "Data Center Operation" intended to be sold was devalued as of December 31, 2008 on the basis of offers by potential buyers within the framework of an unscheduled depreciation in the amount of TEUR 3,102 in respect of the selling price less costs to sell of a total TEUR 1,100.

Further impairments have not been identified.

10. 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 is based on the indirect method.

During the fiscal year Kizoo paid taxes in the amount of TEUR 2,267 (prior year: TEUR 3,020) and interest in the amount of TEUR 600 (prior year: TEUR 470). During the current fiscal year Kizoo AG received a tax refund in the amount of TEUR 5,098 (prior year: TEUR 0). The taxes paid include capital gains tax and the solidarity charge, the taxes received mainly concern capital returns tax. Interest received amounted during the past fiscal year to TEUR 3,126 (prior year: TEUR 6,224). Dividend payments amounted to TEUR 4,440 (prior year: TEUR 4,176).

The liquid assets of the Group break down as follows:

LIQUID ASSETS / IN T€

	2008	2007
CURRENT ACCOUNTS	26,894	6,145
TIME DEPOSITS	0	35,785
FIXED-TERM DEPOSITS	0	2,350
TOTAL LIQUID ASSETS	**26,894**	**44,280**

In accordance with IAS 7 liquid assets include in addition to cash funds and sight deposits all short-term financial investments whose term does not exceed three months at the conclusion of the contract. This corresponds to the balance sheet value of the liquid assets.

The fixed-term deposits and time deposits had a term of one to seven weeks at the conclusion last year.

11. SUPPLEMENTARY INFORMATION ON THE BALANCE SHEET

The item "Real Property held as financial investment" shown in the prior year balance sheet concerns the Real Property Amalienbadstraße 41, Karlsruhe, which was allocated during the last fiscal year to the discontinued business line "Real Property". The prior year development of the stated value is reflected by the fixed asset movement schedule as an integral part of these consolidated financial statements. In fiscal 2007 no rental income was generated from the Real Property held as financial investment. By contrast, operating expenses were recorded in an amount of TEUR 740 including TEUR 332 depreciations in connection with the Real Property. The carrying value of the Real Property amounted to TEUR 16,592 on the balance sheet date 2007.

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. The tax refund claims concern corporation tax refund claims due to interest income tax and capital gains tax paid in the amount of TEUR 2,796 (prior year: TEUR 5,665).

Within the framework of the implementation of its technology venture strategy the Group made in the past fiscale year a first investment in a young technology venture – Lesson Nine GmbH, Berlin. The carrying value of the investment amounted to TEUR 400 on the balance sheet date.

There are no receivables from members of the Executive Board. Loans in the amount of TEUR 64 (prior year: TEUR 144) were granted to employees. Like in the previous year, they were reported under other lendings.

The prepaid expenses include invoices already paid for, insurance policies and software maintenance.

12. SECURITIES

As in the previous year, all securities held by the Kizoo Group are allocated to the category "Available for Sale". The following overview represents the development of the securities:

AVAILABLE-FOR-SALE SECURITIES / IN T€

	Acquisition value	Market price = carrying value	Not yet realized profits/losses	Devaluations affecting the result
2008				
FIXED INTEREST SECURITIES < 1 YEAR	3,039	3,110	71	0
FIXED INTEREST SECURITIES > 1 YEAR	48,648	25,961	–13,632	–9,055
SHARES IN UNITED INTERNET	147,630	139,638	–7,992	0
	199,317	**168,709**	**–21,553**	**–9,055**
2007				
FIXED INTEREST SECURITIES < 1 YEAR	18,200	17,921	–279	0
FIXED INTEREST SECURITIES > 1 YEAR	75,820	67,413	–8,407	0
SHARES IN UNITED INTERNET	154,280	386,280	232,000	0
	248,300	**471,614**	**223,314**	**0**

In the wake of the worldwide financial crisis and the global decline in stock markets the available-for-sale securities of Kizoo AG were reviewed in terms of their liability to impairment on the basis of the solvency of the issuing institutes. As a result of this examination securities with a nominal value of TEUR 11,000 were devalued with an impact on the result in an amount of TEUR 9,055. For the remaining securities a price drop was identified in part which according to the expectations of the Executive Board is not likely to be permanent and does not result for that reason in any impairment with an impact on the result. The profits and losses from price fluctuations of the available-for-sale securities were recognized with no impact on the result in the shareholders' equity.

The shares in United Internet AG include originally 23,200,000 registered shares from the sale of the Portal business, WEB.DE. Furthermore, on June 23, 2006 bonus shares were issued by United Intenet AG, Montabaur in order to increase the nominal capital 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. Given the increased number of shares after the issuing of bonus shares, the acquisition costs amounted to EUR 6.65 per share.

On May 1, 2008 1 million shares in United Internet AG were sold. The selling price amounted to EUR 13.77 per share so that a profit of EUR 7.12 per share or

TEUR 7,120 was achieved in connection with the sale. The stock of shares in United Internet AG hence declined to 22,200,000 shares.

The market price for the registered shares held amounted to EUR 6.29 per share on the balance sheet date. The acquisition costs correspond to the share price on the date of completion on October 31, 2005; the market price corresponds to the share price on the balance sheet date.

During the current fiscal year a total of TEUR 3,537 was realized as earnings from the disposal of available-for-sale securities (prior year: TEUR 1,149 expenses). Furthermore, interest and dividend income in the amount of TEUR 8,077 (prior year: TEUR 9,383) was generated.

Taking into account the realized and unrealized profits and losses, the net expenses for the period amounted to TEUR 243,922 (prior year: Net revenue TEUR 99,093).

The classification of the securities in accordance with IAS 39 is made upon their first recognition. Since August 2006 all securities have basically been classified as available-for-sale. During the current fiscal year there were no additions.

AVAILABLE-FOR-SALE SECURITIES / IN T€

	12/31/2008		12/31/2007	
Time to maturity	Carrying values	Coupon margin	Carrying values	Coupon margin
< 1 YEAR	3,110	4.00% – 4.13%	17,921	3.00% – 4.88%
1 TO 2 YEARS	2,528	5.17% – 5.75%	11,454	3.50% – 5.50%
2 TO 3 YEARS	11,717	0.00% – 5.16%	7,829	2.50% – 5.75%
3 TO 4 YEARS	1,662	2.25% – 2.25%	21,357	4.19% – 4.28%
4 TO 5 YEARS	853	0.00% – 5.10%	2,558	4.00% – 4.00%
> 5 YEARS	9,202	0.00% – 6.13%	24,215	3.11% – 6.13%
TOTAL	**29,071**		**85,334**	

As far as the risks involved in the financial instruments held are concerned, reference is made to *item 23 "Information on financial instruments"* in these Notes.

13. MARKET VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities, whose carrying values are approximated to the market value, include cash and cash equivalents, current financial investments, accounts receivable and payable as well as current assets and liabilities. The market value of financial assets and liabilities for which there are stock exchange prices, corresponds to these prices.

The carrying value of the loans corresponds essentially to their market values.

14. TANGIBLE ASSETS

A detailed presentation of the development of tangible assets is given in the schedule of changes in fixed assets as an integral part of these consolidated financial statements.

The additions in fiscal 2008 were limited to hardware and lessee fixtures. The additions in fiscal 2007 mainly concerned the IT infrastructure.

The disposals of the current year and last year concern essentially assets classified as held-for-sale. These include on the reporting date technical equipment to be allocated to the discontinued business line „Data Center Operation“, with a residual carrying value of TEUR 1,100 as well as the real property reported last year under “real property held as financial investment” with a residual carrying value of TEUR 15,321 as well as loans in the amount of TEUR 89.

15. 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 fixed assets, which is an integral part of these Notes.

Licenses and similar intangible assets are depreciated on a straight-line basis.

16. PROVISIONS

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

DEVELOPMENT OF PROVISIONS / IN T€

Position	Status 01/01/08	Use	Reversal	Addition	Status 12/31/08
TAX PROVISIONS	77	–77	0	0	0
RESTRUCTURING	2,349	–1,278	–1,034	0	37
OTHER PROVISIONS	1,544	–478	–179	170	1,057
PROVISIONS	**3,970**	**–1,833**	**–1,213**	**170**	**1,094**

Position	Status 01/01/07	Use	Reversal	Addition	Status 12/31/07
TAX PROVISIONS	36	–36	0	77	77
RESTRUCTURING	0	0	0	2,349	2,349
OTHER PROVISIONS	1,930	–499	–264	377	1,544
PROVISIONS	**1,966**	**–535**	**–264**	**2,803**	**3,970**

The tax provisions in the prior year were mainly constituted for liabilities under trade tax.

Within the framework of the restructuring expenses for obligations in kind in the amount of TEUR 37 (prior year: TEUR 979) are to be expected, which are included under the Restructuring Provisions. Furthermore, costs for Personnel obligations in connection with dissolution agreements with employees were covered by provisions in the amount of TEUR 1,370 made in the prior year. As of December 31, 2008 this provisions no longer exist.

The reversal of restructuring provisions in the fiscal year concerns essentially obligations in kind made within the framework of the discontinuation of the product line “ComBOTS”.

The other provisions are essentially provisions for uncertain liabilities from litigation risks as well as legal and consulting fees.

The reported provisions have an expected residual term of up to one year.

17. DUE TO BANKS FROM THE PROPERTY LEASING COMPANY/LIABILITIES CONCERNING NON-CURRENT ASSETS HELD-FOR-SALE

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 with a nominal amount of TEUR 9,050 has a fixed interest rate of 5.7% p.a. until 2011. The second of the three loans, with an interest rate of 4.65% p.a., likewise fixed until 2011, has a nominal amount of TEUR 2,300. The third loan with a fixed interest rate of 4.8% p.a., likewise fixed until 2011, had a nominal amount of TEUR 2,160 and was fully repaid in 2008. The three loans had a total value of TEUR 9,119 on December 31, 2008. The total liabilities have a residual term of more than five years. In addition to the loans there are non-current liabilities against LBBW from the collateralization of the ongoing liquidity requirements of the property company.

With the classification of the business line "Real Property" effective December 31, 2008 as discontinued business line, the dues to banks were reclassified into the item "Liabilities in connection with non-current assets held-for-sale".

During the current fiscal year TEUR 557 (prior year: TEUR 449) from these loans were reported as interest expenses. They have to be allocated to the discontinued business line „Real Property".

18. SHAREHOLDERS' EQUITY

The company's fully paid up nominal capital amounted to TEUR 31,717 (prior year: TEUR 35,001) as of December 31, 2008 and is divided into 31,717,212 (prior year: 35,001,476) 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 expired on July 17, 2008 and was not extended.

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 was not used and the empowerment has ceased to be valid.

In accordance with the resolution of the annual general meeting on July 17, 2003 the nominal capital was contingently increased by up to EUR 3,000,000 by issuing up to 3,000,000 new ordinary shares (contingent capital I). The contingent 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 133,597 new shares were issued to employees in 2008 and the nominal capital was increased in that respect by a nominal EUR 133,597. The premium in connection with the issuing of the new shares in the amount of TEUR 530 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 14, 2008.

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. This empowerment expired on July 17, 2008.

According to a resolution of the annual general meeting of July 17, 2003 the nominal capital is increased by another amount of 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 contingent manner from the beginning of the fiscal year of their issuing (contingent capital II). The contingent 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 was not used and has ceased to be valid.

At the annual general meeting on July 13, 2006 the Executive Board was empowered – like in previous years – to acquire 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 19, 2007 until January 18, 2009.

During the financial year 638,132 treasury shares (prior year: 1.806.885) were acquired by Kizoo AG through the stock exchange. The average purchase price amounted to EUR 11.08 per share (prior year: EUR 10.80) so that the total purchase price was TEUR 7,071 (prior year: TEUR 7,813). 95,000 of these treasury shares were disposed of within the framework of the exercise of stock options. Based on the public buyback offer announced within the framework of the Annual General Meeting another 1,979,544 treasury shares were acquired at a purchase price of EUR 11.66 per share. The public offer of the company was accepted to a large extent by the shareholders of Kizoo AG so that taking into account the prioritization of small shareholders an allocation quota of approximately 39% was achieved. The stock of treasury shares increased as of June 30, 2008 to 3,417,861 shares (prior year: 3,606,622 shares) or 9.73% of the then nominal capital of the company. Effective June 30, 2008 they were completely retired. The subscribed capital of the company was reduced accordingly by EUR 3,417,861; the remaining difference between acquisition costs for the shares and the nominal value in the amount of EUR 36,004,511 was offset against the capital reserve. Taking into account the shares issued as a result of the exercise of stock

options the nominal capital of the company amounted to EUR 31,717,212 as of December 31, 2008.

At present the company does not hold any treasury shares.

On September 1, 2008 the empowerment of the Annual General Meeting of May 6, 2008 became effective which allows for the acquisition of another 10% of the nominal capital by way of share buyback through the stock exchange or a public buyback offer.

The Annual General Meeting on May 6, 2008 approved a resolution to pay a dividend of EUR 1.20 per share for fiscal 2007. Overall, EUR 40.3 million dividends were paid in 2008. The basis for the dividend payment is the financial statements of Kizoo AG under HGB (German Commercial Code).

19. SHARE-BASED COMPENSATION

Kizoo AG has the possibility to issue up to 3,000,000 options for the purchase of Kizoo 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 Kizoo share.

Kizoo AG has a stock option plan for the benefit of its employees. Based on the stock option plan, stock options are allocated to full-time employees. On December 31, 2008 814,187 (prior year: 1,164,356) options were issued to subscribe to Kizoo shares to employees and members of the Executive Board of Kizoo AG and the Managing Directors of its subsidiaries. The options may only be exercised if the Kizoo 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 Kizoo 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 2nd, 3rd and 4th year on the 3rd to 20th stock exchange trading day after the annual balance sheet press conference or the announcement of a quarterly or half-year report and in the event of full exercise of the options the contingent capital would be used in an amount of up to TEUR 814 (prior year: TEUR 1,164). 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 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 ends within the qualifying period. The expenses associated with these options were completely recognized in fiscal 2005.

The following Table summarizes the information on residual terms and exercise prices of all stock options issued as of December 31, 2007:

RESIDUAL TERMS AND EXERCISE PRICES

ALL OPTIONS

Allocation tranches	Outstanding options 01/01/07	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/07	Weighted average exercise price of outstanding options (€)	Number of exercisable options	Weighted average residual term (years)
2000	572,660	0	–58,260	–5,040	509,360	23.58	509,360	0.00
2001	135,599	0	–103,265	–5,333	27,001	7.52	27,001	0.00
2002	434,895	0	–175,702	–5,597	253,596	3.86	253,596	0.00
2003	79,069	0	–16,669	–3,835	58,565	9.43	58,565	0.00
2004	97,167	0	–12,162	–12,337	72,668	8.41	47,472	0.17
2005	222,500	0	–1,499	–13,335	207,666	8.98	69,984	0.67
2006	67,300	0	0	–37,200	30,100	13.80	0	1.50
2007	0	16,300	0	–10,900	5,400	12.50	0	2.50
	1,609,190	**16,300**	**–367,557**	**–93,577**	**1,164,356**		**965,978**	
AVERAGE WEIGHTED EXERCISE PRICE PER CATEGORY (€)	12.25	12.28	5.89	11.39	14.35		15.30	

The following table summarizes the information about residual terms and exercise prices of share options issued to employees who have remained within the Kizoo Group on December 31, 2007:

RESIDUAL TERMS AND EXERCISE PRICES

ONLY BUSINESS LINES CONTINUED AFTER 2005

Allocation tranches	Outstanding options 01/01/07	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/07	Weighted average exercise price of outstanding options (€)	Number of exercisable options	Weighted average residual term (years)
2000	298,478	0	–13,000	0	285,478	26.26	285,478	0.00
2001	12,166	0	–666	0	11,500	7.65	11,500	0.00
2002	304,332	0	–110,566	0	193,766	3.71	193,766	0.00
2003	19,834	0	–6,000	–501	13,333	9.46	13,333	0.00
2004	17,333	0	–3,666	–3,666	10,001	8.14	6,331	0.17
2005	145,500	0	–833	–3,667	141,000	8.54	46,664	0.67
2006	67,300	0	0	–37,200	30,100	13.80	0	1.50
2007	0	16,300	0	–10,900	5,400	12.50	0	2.50
	864,943	**16,300**	**–228,597**	**–55,934**	**690,578**	**12.63**	**557,072**	
AVERAGE WEIGHTED EXERCISE PRICE PER CATEGORY (€)	13.31	12.28	5.93	12.74	14.77		15.94	

The following Table summarizes the information about residual terms and exercise prices of all share options issued on December 31, 2008:

RESIDUAL TERMS AND EXERCISE PRICES

ALL OPTIONS

Allocation tranches	Outstanding options 01/01/08	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/08	Weighted average exercise price of outstanding options (€)	Number of exercisable options	Weighted average residual term (years)
2000	509,360	0	0	–56,030	453,330	23.61	453,330	0.00
2001	27,001	0	–1,330	–337	25,334	7.65	25,334	0.00
2002	253,596	0	–193,266	–2,934	57,396	4.40	57,396	0.00
2003	58,565	0	0	–6,331	52,234	9.33	52,234	0.00
2004	72,668	0	–667	–13,000	59,001	8.29	59,001	0.00
2005	207,666	0	–33,334	–13,670	160,662	9.00	97,474	0.00
2006	30,100	0	0	–24,770	5,330	14.50	3,329	0.50
2007	5,400	0	0	–4,500	900	12.13	0	1.50
2008	0	0	0	0	0	0.00	0	0.00
	1,164,356	**0**	**–222,597**	**–121,572**	**814,187**		**748,098**	
AVERAGE WEIGHTED EXERCISE PRICE PER CATEGORY (€)	14.53	0.00	4.41	16.73	16.78		17.46	

The following table summarizes the information about residual terms and exercise prices of share options issued to employees who have remained within the Kizoo Group on December 31, 2008:

RESIDUAL TERMS AND EXERCISE PRICES

ONLY BUSINESS LINES CONTINUED AFTER 2005

Allocation tranches	Outstanding options 01/01/08	Issued options	Exercised options	Forfeited options	Outstanding options 12/31/08	Weighted average exercise price of outstanding options (€)	Number of exercisable options	Weighted average residual term (years)
2000	285,478	0	0	–21,660	263,818	26.14	263,818	0.00
2001	11,500	0	–1,000	0	10,500	7.88	10,500	0.00
2002	193,766	0	191,666	0	2,100	4.18	2,100	0.00
2003	13,333	0	0	–999	12,334	9.39	12,334	0.00
2004	10,001	0	0	–6,003	3,998	7.19	3,998	0.00
2005	141,000	0	–33,334	–7,337	100,329	8.48	56,831	0.00
2006	30,100	0	0	–24,770	5,330	14.50	3,329	0.50
2007	5,400	0	0	–4,500	900	12.13	0	1.50
2008	0	0	0	0	0	0.00	0	0.00
	690,578	**0**	**–226,000**	**–65,269**	**399,309**		**352,910**	
AVERAGE WEIGHTED EXERCISE PRICE PER CATEGORY (€)	14.77	0.00	4.40	17.36	20.21		21.71	

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.

During the current fiscal year no stock options were issued. The weighted average market value of the options granted during the prior fiscal year amounted to EUR 2.92 per share. The market value of the options is estimated on the day of granting based on the Black Scholes model; during last year this was based on risk-free interest rates of 2.5% to 4.0%, a probable term of three years, a probable dividend return of 0%, an average future fluctuation of 10% and a probable volatility based on experience of 33.69%.

The total expenses reported during the fiscal year for stock options amount to TEUR 54 (prior year: TEUR 142).

During the fiscal year 228,587 (prior year: 367,557) options were exercised by their holders. Thereof, 133,587 shares were settled through the issue of new shares and 95,000 shares through the disposal from treasury stock. The average exercise price was EUR 4.41 (prior year: EUR 5.89).

20. SUPPLEMENTARY INFORMATION ON THE PROFIT AND LOSS STATEMENT

The general administration costs of the continuing business line amounts to a total of TEUR 5,480 (prior year: TEUR 4,204) and include essentially costs for the setup of the new business segment „Technology Ventures", personnel expenses for the employees in administration as well as legal and consulting costs.

During the last fiscal year no expenses for research and development were recognized, like in the previous year, as internally generated assets. The expenses for research and development shown in the profit and loss statement concern personnel expenses in the framework of the product development.

The interest income includes all realized interest from securities held, dividend income as well as realized profits from the disposal of available-for-sale securities.

The interest income from the fixed-interest securities is 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 0.20 (prior year: EUR 0.18) per share. The payment was based on the number of shares before the increase in the nominal capital. The Kizoo Group was, therefore, able to realize an income of TEUR 4,440 (prior year: TEUR 4,176).

Financial expenses include essentially the devaluation of available-for-sale securities based on an impairment in the amount of TEUR 9,055 (prior year: TEUR 0) as well as losses from the disposal of available-for-sale securities.

The interest expenses relating to the liabilities to banks from the financing of the leasing company are show in the result from discontinued business lines.

The income tax expense for the period consists essentially of the tax payments of Kizoo AG for prior years.

Since there is no probability of usability of losses carried forward, there is no recognition of deferred tax assets in respect of the losses carried forward. For this reason, the deferred tax assets are, moreover, subject to a valuation allowance in the amount by which they exceed the deferred tax liabilities. During the past fiscal year there was no tax impact from the deferred tax assets and liabilities reported with no effect on the net profit on value changes of shares classified as available for sale in United Internet AG and the other securities.

In 2006 deferred tax liabilities were constituted in respect of differences from available for sale securities. In the same amount deferred tax assets were constituted in respect of the tax losses carried forward of the Kizoo Group with an effect on net profit. After the deferred tax assets recognized in the shareowners' equity exceeded the deferred tax liabilities on December 31, 2007 compared to December 31, 2006, the deferred tax assets constituted in 2006 with a recognition in the profit and loss statement had to be adjusted in terms of their value with a recognition in the profit and loss statement in 2007; this resulted during the previous year in a recognition of tax expenses in the amount of TEUR 2,114.

Another prior year effect on the accounting of deferred tax liablilities resulted from the company tax reform which became effective on January 1, 2008. Within the framework of the company tax reform the German legislator reduced the applicable tax rates from January 1, 2008 with the objective of significantly lowering the average tax burden for German corporations from then about 40%. By decision of the Federal Council of July 6, 2007 the corresponding Bill was adopted. The Bundestag (German Parliament) approved the Bill already on May 25, 2007. As a main pillar of the Bill the corporation tax rate was reduced from 25% to 15%. At the same time the trade tax index decreased from 5% to 3.5%. The tax rate to be applied to the constitution of deferred taxes for temporary differences, whose reversal was only expected from fiscal 2008 onwards, was reduced for the afore-mentioned reasons already during the previous year from 39% to 29%. Consequently, both deferred tax liabilities and deferred tax assets were reduced accordingly during the previous year. Since the reduction of the deferred tax liabilities from the available-for-sale securities was directly recognized in the shareholders' equity, by analogy to its constitution, whereas the reduction of deferred tax assets on tax losses carried forward was directly recognized in the result, by analogy to its constitution, this resulted during the previous year in an additional tax expense of TEUR 509.

Tax expenses during the reporting period developed altogether as follows:

TAX EXPENSES / IN T€

	2008	2007
ACTUAL INCOME TAX		
ACTUAL INCOME TAX EXPENSE	–5	61
·· *including reporting in the discontinued product line*	0	0
DEFERRED INCOME TAX		
CHANGES IN VALUE RECOGNIZED IN EQUITY		
·· *from securities available for sale*	0	0
·· *from the value allowance for deferred tax assets*	0	–2,114
·· *from the change in tax rate*	0	–509
TAX INCOME (EXPENSE) SHOWN IN THE CONSOLIDATED P&L	**–5**	**–2,562**

The net income for the year before taxes relates exclusively to business operations in the Federal Republic of Germany.

The following Table shows a reconciliation statement of income tax based on a combined income tax rate of 29% (prior year: 39%).

RECONCILIATION STATEMENT OF INCOME TAX / IN T€

	2008	2007
NET DEFICIT FOR THE YEAR	–8,403	–36,593
LOSS FROM DISCONTINUED PRODUCT LINE AND DISCONTINUED BUSINESS LINES	5,137	35,323
TAX EXPENSE (INCOME)	5	2,562
RESULT FROM CONTINUING BUSINESS LINES BEFORE TAX	**–3,261**	**1,292**
EXPECTED TAX INCOME (EXPENSE)	946	–504
EFFECT FROM THE CHANGE IN TAX RATE	0	–509
EFFECT FROM THE NON-RECOGNITION OF DEFERRED TAX ASSETS CARRIED FORWARD	–3,867	–3,511
NON DEDUCTIBLE EXPENSES	–31	–15
TAX-FREE INCOME	2,963	2,032
PERMANENT DIFFERENCES FROM STOCK OPTIONS	–16	–55
REPORTED TAX INCOME (EXPENSE)	**–5**	**–2,562**

On the balance sheet date there are trade tax loss carry forwards in the amount of TEUR 27,255 (prior year: TEUR 20,055) and corporation tax loss carry forwards in the amount of TEUR 83,713 (prior year: TEUR 71,191). 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 TEUR 1,000 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€

	2008	2007
DEFERRED TAX ASSETS		
FROM AVAILABLE FOR SALE SECURITIES	3,333	2,518
TOTAL DEFERRED TAX ASSETS	**3,333**	**2,518**
VALUATION ALLOWANCE FOR DEFERRED TAX ASSETS	–3,333	–103
OFFSETTING OF DEFERRED TAX ASSETS AND LIABILITIES	0	–2,415
	0	**0**
DEFERRED TAX LIABILITIES		
FROM AVAILABLE FOR SALE SECURITIES	0	2,415
OFFSETTING OF DEFERRED TAX ASSETS AND LIABILITIES	0	–2,415
TOTAL DEFERRED TAX LIABILITIES	**0**	**0**

On December 31, 2008 tax receivables from corporation and trade tax amounted to TEUR 2,796 (prior year: TEUR 5,665).

Deferred tax liabilities in the amount of TEUR 406 and deferred tax assets in the amount of TEUR 2,518 or, after devaluation, of TEUR 2,415 were constituted for temporary differences recognized as equity from not realized profits and losses from securities held-for-sale directly in the shareholders equity so that the total amounts to TEUR 0. During the past fiscal year deferred tax assets were constituted in the amount of TEUR 3,333 and/or after devaluation TEUR 0 so that the total amounts to TEUR 0.

21. LIABILITY CONDITIONS AND OTHER FINANCIAL OBLIGATIONS

Within the framework of the 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, 2008 the company and its legal advisors believe that there are no such material matters concerning the business of the company, its financial assets or its operating income.

As far as the affiliated companies are concerned, rental, leasing and maintenance agreements exist for the different facilities and vehicles. These contracts lead in the following years to annual payments of:

ANNUAL PAYMENTS / IN T€

2009	91
2010	57
2011	30
2012	6
2013 AND LATER	0
TOTAL	**184**

On December 31, 2007 the following financial obligations existed:

FINANCIAL OBLIGATIONS / IN T€

2008	1,276
2009	770
2010	612
2011	596
2012 AND LATER	0
TOTAL	**3,254**

The expenses for operating leasing amounted to TEUR 125 in fiscal 2008 (prior year: TEUR 284). The residual term of the leasing relationships amounts to one to three years.

Within the framework of the disposal of the Portal business to United Internet AG, Kizoo AG issued, 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 Kizoo 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 AG, 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).

Actual payment obligations under the guarantees are currently not to be expected.

On the balance sheet date there are no contingent claims according to the prior year.

22. EARNINGS PER SHARE

The number of outstanding shares developed as follows:

NUMBER OF OUTSTANDING SHARES

	2008	2007
TOTAL NUMBER OF NO PAR VALUE SHARES AT THE BEGINNING OF THE FISCAL YEAR	35,001,476	38,428,841
TREASURY SHARES AT THE BEGINNING OF THE FISCAL YEAR	895,185	2,883,222
OUTSTANDING SHARES AT THE BEGINNING OF THE FISCAL YEAR	**34,106,291**	**35,545,619**
TREASURY SHARES ACQUIRED WITHIN THE FRAMEWORK OF THE AUTHORIZATION OF THE AGM DURING THE FISCAL YEAR	638,132	1,806,885
TREASURY SHARES ACQUIRED WITHIN THE FRAMEWORK OF THE SHARE BUYBACK PROGRAM	1,979,544	0
TREASURY SHARES RETIRED DURING THE FISCAL YEAR	3,417,861	3,794,922
SHARES ISSUED TO EMPLOYEES THROUGH THE EXERCISE OF STOCK OPTIONS	228,597	367,557
OUTSTANDING SHARES AT THE END OF THE FISCAL YEAR	**31,717,212**	**34,106,291**
POTENTIAL ORDINARY SHARES UNDER THE STOCK OPTION PROGRAM	253,596	590,763
DILUTED NUMBER OF OUTSTANDING SHARES	**31,970,808**	**34,697,054**
TOTAL NUMBER OF NO PAR VALUE SHARES AT THE END OF THE FISCAL YEAR	31,717,212	35,001,476
TREASURY SHARES AT THE END OF THE FISCAL YEAR	0	895,185
OUTSTANDING SHARES AT THE END OF THE FISCAL YEAR	**31,717,212**	**34,106,291**

In accordance with IAS 33 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 financial year all options which fulfill these conditions had been exercised, the number of outstanding shares would have increased by 293,596 shares (prior year: 590,763 shares).

If the taking into account of potential ordinary shares results in an increase in the earnings per share or in a decrease of the loss per share, the calculation of the diluted earnings per share is not based on the assumption of a conversion, exercise or further issuing of potential ordinary shares. The diluted result corresponds in this case to the undiluted result.

Thus, there are no diluting effects on the consolidated net income for the year of Kizoo. For the determination of the earnings per share the consolidated net income for the year attributable to the shareholders of Kizoo AG is used.

23. INFORMATION ON FINANCIAL INSTRUMENTS

According to IAS 32 "Financial instruments: information and presentation" financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The following overview shows the fair values of all financial instruments of the Kizoo Group as well as its respective carrying value:

FAIR VALUES / IN T€

	12/31/2008		12/31/2007	
	Carrying value	Fair Value	Carrying value	Fair Value
SHARES IN UNITED INTERNET AG	139,638	139,638	386,280	386,280
INVESTMENTS	400	400	0	0
OTHER SECURITIES CLASSIFIED AS AVAILABLE FOR SALE	29,071	29,071	85,334	85,334
ACCOUNTS RECEIVABLE	60	60	285	285
OTHER CURRENT FINANCIAL RECEIVABLES	165	165	542	542
ACCOUNTS PAYABLE	–253	–253	–806	–806
NON-CURRENT DUES TO BANKS	–9,119	–11,404	–11,630	–12,200
DERIVATIVES WITH NEGATIVE MARKET VALUE	–165	–165	–499	–499
OTHER FINANCIAL LIABILITIES	–944	–944	–2,529	–2,529

As far as a detailed composition of the securities classified as available for sale and their residual terms are concerned, reference is made to *clause 12 "Securities"*.

In connection with financial instruments financial risks such as default or liquidity risks can occur. More detailed information is given in the Management Report.

Default risk

Default risks result mainly from accounts receivable as well as other assets. The amounts shown in the balance sheet are to be understood less the valuation allowance for probably uncollectable receivables estimated by management on the basis of experience from the past and the current economic environment.

The other assets of the previous year were essentially, receivables against 1&1 Internet AG, Montabaur, from a VAT calculation. The default risk was minimal since this receivable was covered by a claim of 1&1 Internet AG against the tax authorities. For that reason no valuations for receivables were made during the previous year. In the previous financial year a claim in the amount of TEUR 70 has been adjusted in the full amount.

The issuers of the securities held are essentially European banks such as UBS, Dresdner Bank or HSH Nordbank and other internationally recognized companies such as Daimler or states such as the Republic of Turkey. As a rule the issuers are companies with at least a satisfying financial standing; however, under certain circumstances a loss of the entire investment is possible.

Following the developments and turbulences on the international capital markets in connection with the financial crisis credit and liquidity spreads for corporate bonds and so-called "Asset-Backed Securities" (ABS structures) which have company loans as underlying or reference instrument, have increased as an indicator of higher default risks. Individual corporate loans underlying the ABS structures have already become non-performing without the securities as a whole having to be considered as at risk of default. With a further deterioration of the general economic situation as well as of the companies individually a default cannot be excluded.

In the wake of the financial crisis a payment standstill agreement became necessary for two bonds of foreign issuers with a nominal value of TEUR 11,000. This resulted in a write off in the amount of TEUR 9,055 in respect of the securities recognized in the profit and loss statement.

At the same time an amount of TEUR 1,043, by which the securities sold during the last fiscal year were impaired in previous years without recognition in the profit and loss statement, was transferred at the time of disposal of the securities to the financial result and was hence recognized in the profit and loss statement. Overall, a positive result in the amount of TEUR 3,537 was achieved through the disposal of securities in fiscal 2008.

No hedging transactions were conducted for the securities. With the selection of the securities an attempt is made to avoid risk concentration through a regional spread and a diversification in terms of sectors of the issuers. A significant default concentration does likewise not exist because of the diversification.

The stock of receivables does not contain any receivables which are overdue or subject to a valuation allowance in addition to those mentioned. The maximum default amount corresponds to the net book value of the receivables. During the reporting period no collaterals from defaulted receivables were acquired and recognized.

No valuation allowances were made in respect of the financial instruments held in addition to those mentioned.

Liquidity risk

Based on the financial liabilities liquidity outflows arise for the Kizoo Group which are represented in the Table below with their respective possible dates in a non-discounted manner.

CASH INFLOWS FROM FINANCIAL INSTRUMENTS / IN T€

	Carrying values	Outflow of liquidity					
	12/31/08	2009	2010	2011	2012	2013	> 2014
ACCOUNTS PAYABLE	–253	–253	0	0	0	0	0
LIABILITIES CONCERNING NON-CURRENT ASSETS HELD-FOR-SALE	–9,119	–1,068	–1,068	–11,990	0	0	0
DERIVATIVES	–165	0	0	0	–165	0	0
OTHER FINANCIAL LIABILITIES	–944	–944	0	0	0	0	0
TOTAL	**–10,481**	**–2,265**	**–1,068**	**–11,990**	**–165**	**0**	**0**

	Carrying values	Liquidity outflows					
	12/31/07	2008	2009	2010	2011	2012	>2012
ACCOUNTS PAYABLE	–806	–806	0	0	0	0	0
NON-CURRENT DUES TO BANKS	–11,630	–1,068	–1,068	–1,068	–11,990	0	0
DERIVATIVES	–499	–31	0	0	0	–468	0
OTHER FINANCIAL LIABILITIES	–1,919	–1,919	0	0	0	0	0
TOTAL	**–14,854**	**–3,824**	**–1,068**	**–1,068**	**–11,990**	**–468**	**0**

The liquidity outflows can be covered at all times by the existing liquidity reserves in the form of liquid assets and bonds.

Interest rate change

As far as the financial investments classified as available for sale are concerned, the Kizoo Group is exposed to interest rate change risks. During the reporting period an upwards displacement of the interest curve by 50 base points would have resulted in a value loss of the financial investments in the amount of TEUR 195 (prior year: TEUR 450), which would have been directly recognized in the shareholders' equity. In the event of a downward shift by 50 base points a value increase of TEUR 200 (prior year: TEUR 461) would have to be recognized directly in the shareholders' equity.

Concerning the liabilities in connection with non-current assets held-for-sale, shown in the prior year in the position dues to banks, such a shift would have resulted in a non-recognized reduction of the fair value by TEUR 499 (prior year: TEUR 544) for an increase in interest rate or a non-recognized increase in the fair value by TEUR 529 (prior year: TEUR 578) would have resulted in an interest reduction.

Share price risk

Concerning the shares in United Internet AG the Kizoo Group is subject to the risk of a change in share price. During the reporting period a share price variation of 10% based on the share price on December 31, 2008 would have resulted in a change in shareholders' equity by TEUR 13,964 (prior year: TEUR 38,628) not recognized as income.

Exchange rate risk

The Kizoo Group is not subject to any exchange risk since all transactions are carried out within the Euro zone. All securities held by the Kizoo Group are denominated in Euro.

24. INFORMATION BY SEGMENTS

Because of the new orientation of the company the two segments reported last year "Building Realization" and "Data Center Operation" were allocated to discontinued business lines. The discontinued business line "Real Property" corresponds essentially to the previous segment "Building Realization", the discontinued business line "Data Center" corresponds essentially to the previous segment "Data Center Operation". The operating business was pooled in fiscal 2008 in the business line "Technology Ventures" which includes the previous business line "Communication Services".

Within the framework of segment reporting in accordance with IFRS 8 "Operating Segments" a Segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision-maker (in view of decisions about resources and performance) and for which discrete financial information is available. After the classification of the above-mentioned segments as discontinued business lines and the combination of the segment "Communication Services" with the investment activity in young Internet ventures under the segment "Technology Ventures", the Group has only one segment left.

Group financing (including financial expenses and income) as well as income tax are steered in a uniform manner throughout the Group, apart from the financial expenses in connection with the Real Property in the discontinued business line "Real Property" and are not allocated to the operating segment. The same applies to the securities held by the company. For that reason they are shown together as the segment "Neutral Items" in segment reporting. In fiscal 2007 the segments presented themselves as follows:

SEGMENTS 2007 / IN T€

		Continued business lines				
	Discontinued product line	Building Realization	Data Center Operation	Communication Services	Neutral Items	Group
REVENUES	0	0	0	0	0	0
DEPRECIATION AND AMORTIZATION	–14,413	–332	–1,012	0	–444	–16,201
EBIT (OPERATING INCOME)	–35,323	–740	–1,528	–716	–3,488	–41,795
EBITDA	–20,910	–408	–516	–716	–3,044	–25,594
FINANCIAL EXPENSES	0	0	0	0	–470	–470
FINANCIAL INCOME	0	0	0	0	8,234	8,234
TAX EXPENSES	0	0	0	0	–2,562	–2,562
SEGMENT RESULT	–35,323	–740	–1,528	–716	1,714	–36,593
SEGMENT ASSETS	1,963	16,592	5,937	60	523,806	548,358
SEGMENT LIABILITIES	2,349	11,630	0	0	5,820	19,799
INVESTMENTS	1,517	29	0	54	57	1,657

Taking into account the reclassification of the segments in 2008, segment reporting would be as follows for 2007 along the lines of the above-mentioned new structuring:

RESTRUCTURING SEGMENTS 2007 / IN T€

		Discontinued business line		Continued business line		
	Discontinued product line	Real Property	Data Center	Technology Ventures	Neutral Items	Group
REVENUES	0	0	0	0	0	0
DEPRECIATION AND AMORTIZATION	–14,413	–332	–1,012	0	–444	–16,201
EBIT (OPERATING INCOME)	–35,323	–740	–1,528	–945	–3,259	–41,795
EBITDA	–20,910	–408	–516	–945	–2,815	–25,594
FINANCIAL EXPENSES	0	–470	0	0	0	–470
FINANCIAL INCOME	0	0	0	0	8,234	8,234
TAX EXPENSES	0	0	0	0	–2,562	–2,562
SEGMENT RESULT	–35,323	–1,210	–1,528	–945	2,413	–36,593
SEGMENT ASSETS	1,963	16,592	5,937	60	523,806	548,358
SEGMENT LIABILITIES	2,349	11,630	0	0	5,820	19,799
INVESTMENTS	1,517	29	0	54	57	1,657

For the last fiscal year segment reporting presents itself as follows:

SEGMENT REPORTING 2008 / IN T€

		Discontinued business line		Continued business line		
	Discontinued product line	Real Property	Data Center	Technology Ventures	Neutral Items	Group
REVENUES	0	0	0	0	0	0
DEPRECIATION AND AMORTIZATION	0	492	–4,329	0	–10,210	–15,031
EBIT (OPERATING INCOME)	424	–582	–4,329	–1,055	–13,777	–19,319
EBITDA	424	–90	133	–1,055	–3,567	–4,288
FINANCIAL EXPENSES	0	–650	0	0	–3,626	–4,276
FINANCIAL INCOME	0	0	0	0	15,197	15,197
TAX EXPENSES	0	0	0	0	–5	–5
SEGMENT RESULT	424	–1,232	–4,329	–1,055	–2,211	–8,403
SEGMENT ASSETS	55	15,406	1,100	400	200,079	217,040
SEGMENT LIABILITIES	0	9,202	0	0	2,456	11,658
INVESTMENTS	0	0	25	400	509	934

The depreciation and amortization shown for the Group in an amount of TEUR 15,031 include on the one hand scheduled depreciations and amortizations of intangible assets and tangible assets in an amount of TEUR 2,874 (including TEUR 1,719 in the discontinued product line) as well as unscheduled depreciations and amortizations in the wake of restructuring in respect of non-current assets available for sale in an amount of TEUR 3,102 which are accounted for to the full amount by the discontinued product line and unscheduled depreciations and amortizations of financial instruments in the amount of TEUR 9,055 which are reported in the profit and loss statement under financial expenses.

The financial expenses for the discontinued business line "Real Property" in the amount of TEUR 650 are reported in the profit and loss statement under "Result from discontinued business lines".

The company did not generate any revenues during the last fiscal year so that a breaking down of the revenues by types of revenue and a regional overview of revenue is not applicable. The assets of the company are solely in Germany.

25. 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 to exercise material influence. Related companies are Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe (abbreviated "Cinetic"), as majority shareholder of Kizoo as well as all subsidiaries and associated companies of Kizoo. A further related company is the shareholder of Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, SüdLeasing Immobilien GmbH, Mannheim.

The Kizoo Group carried out transactions with Cinetic in the amount of TEUR 9 (prior year: TEUR 9). They include in particular the making available of different services. Cinetic provided services for Kizoo in an amount of TEUR 17 (prior year: TEUR 65).

SüdLeasing Immobilien GmbH allocated administrative costs in the amount of TEUR 54 (prior year: TEUR 0) during the fiscal year.

Related persons include 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 Kizoo AG. The amounts charged to the Kizoo Group for tax consulting activities amounted to TEUR 24 (prior year: TEUR 27) during the fiscal year.

Receivables from and liabilities to related companies and persons did not exist, like in the previous year, on the balance sheet date.

THE MEMBERS OF THE EXECUTIVE BOARD WERE DURING THE FISCAL YEAR

	Additional position
MICHAEL GREVE (CEO)	·· Managing Director of Cinetic ·· Managing Director of MIRA Vermögensverwaltungs- und Beteiligungsgesellschaft mbH Karlsruhe (since December 01, 2008) ·· Managing Director of Online-Dienste Karlsruhe Management GmbH
FRANK SCHÜLER (Board Member in charge of Sales, Marketing and Product Management, since June 6, 2008)	·· Managing Director of 705 West GmbH ·· Managing Director of Online-Dienste Karlsruhe Data Center GmbH ·· Managing Director of Kizoo Technology Capital GmbH ·· Managing Director of Kizoo Asset Management GmbH
MATTHIAS HORNBERGER (CFO since April 1, 2008)	·· Managing Director of 705 West GmbH ·· Managing Director of Kizoo Technology Capital GmbH ·· Managing Director of Kizoo Asset Management GmbH ·· Managing Director of Online-Dienste Karlsruhe Management GmbH ·· Managing Director of Internet-Abrechnung.de GmbH ·· Managing Director of ComBOTS Corporate Services GmbH (until May 7, 2008)
ROBERT GRATZL (CFO until March 31, 2008)	·· Managing Director of Kizoo Asset Management GmbH ·· Managing Director of Online-Dienste Karlsruhe Management GmbH ·· Managing Director of ComBOTS Corporate Services GmbH (until March 31, 2008)

The total compensation of the members of the Executive Board amounted during the past fiscal year to TEUR 976 (prior year: TEUR 750); they break down as follows (in TEUR):

TOTAL COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD / IN T€

	Michael Greve	Matthias Hornberger	Robert Gratzl	Frank Schüler
TOTAL COMPENSATION	**250 (PY: 250)**	**253 (PY: 250)**	**307 (PY: 250)**	**166**
STOCK OPTIONS ISSUED	None	None	None	None
STOCK OF OPTIONS (SHARES)	None (PY: None)	86,430 (PY: 158,430)	86,430 (PY: 181,430)	46,336

Details of the stock option program are presented under *clause 19 "Share-based compensation"*. The compensation of Mr. Gratzl contains TEUR 245 variable compensation. No further variable compensations were paid, like in the previous year.

THE MEMBERS OF THE SUPERVISORY BOARD WERE DURING THE FISCAL YEAR

	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, Karlsruhe ·· Member of the Supervisory Board of CAS Software AG, Karlsruhe (until May 30, 2008) ·· Managing Director of Kajak GmbH, Karlsruhe
FELIX GREVE, KARLSRUHE Certified Engineer	·· Managing Director of MIRA Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe (until December 1, 2008) ·· Managing Director of MAG Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe (until December 1, 2008) ·· Managing Director of FARAH Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Karlsruhe

The total compensation of the members of the Supervisory Board amounted during the last fiscal year to TEUR 61 (prior year: TEUR 67). TEUR 61 (prior year: TEUR 67) were accounted for by a fixed compensation components (including attendance allowances). No variable compensation components were paid, like in the previous year.

In accordance with § 41 para 3 WpHG (German Securities Trading Act) the company submitted the notifications of Cinetic as well as of Messrs Matthias Greve and Michael Greve, both of Karlsruhe, of April 5, 2002 in accordance with § 41 para 2 sentence 1 WpHG, stating that their voting rights in Kizoo AG, 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 accordingly in writing.

In accordance with § 21 para 1 sentence 1 WpHG Kizoo AG submitted a notification on June 3, 2008 according to which it exceeded as a result of the acquisition of treasury shares on June 2, 2008 the threshold of 5% of voting rights of Kizoo AG and held 3,391,429 shares of Kizoo AG on that date (9.65% of the voting rights). The publication in accordance with § 26 para 1 sentence 2 WpHG was made on June 3, 2008.

On June 4, 2008 the reportable persons (1) HBK Management LLC, Wilmington, USA, (2) HBK Partners II L.P., Wilmington, USA, (3) HBK Investments L.P., Wilmington, USA, (4) HBK Services LLC, Wilmington, USA, (5) HBK New York LLC, Wilmington, USA, (6) HBK Master Fund L.P., George Town, Grand Cayman, Cayman Islands, (7) HBK Offshore Fund Ltd., George Town, Grand Cayman, Cayman Islands, (8) HBK Fund L.P., Wilmington, USA, (9) HBK Capital L.P., Wilmington, USA, (10) HBK Partners I L.P., Wilmington, USA, notified Kizoo AG in accordance with § 21 para 1 WpHG (German Securities Trading Act) of the following: (1) On May 29, 2008 the number voting rights of the reportable person under (6) in Kizoo AG, fell below the threshold of 5%. The reportable person under (6) held on that date 1,271,173 voting rights of a total of 35,001,476 voting rights of Kizoo AG; this corresponded to a 3.63% share in the voting rights. (2) On May 29, 2008 the number of voting rights of the reportable persons under (1) to (5) and (7) to (10) in Kizoo AG,

fell below the threshold of 5% in each case. The reportable persons under (1) to (5) and (7) to (10) held on that date 1,271,173 voting rights each of a total of 35,001,476 voting rights of Kizoo AG; this corresponded to a 3.63% share in the voting rights hielten. The reportable person under (1) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG in conjunction with § 22 para 1 sentence 2 WpHG through the reportable persons under (2) to (5) and also in accordance with § 22 para 1 sentence 1 no. 1 WpHG through the reportable persons under (7) to (10) from the reportable person under (6). The reportable person under (2) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG in conjunction with § 22 para 1 sentence 2 WpHG through the reportable persons under (3) to (5) from the reportable person under (6). The reportable person under (3) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG from the reportable person under (6). The reportable person under (4) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG through the reportable person under (3) (subdelegated power) from the reportable person under (6). The reportable person under (5) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG (through a subdelegated power) through the reportable persons under (4) and (3) from the reportable person under (6). The reportable persons under (7) and (8) account for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 1 WpHG from the reportable person under (6). The reportable person under (9) accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 1 WpHG through the reportable person under (8) from the reportable person under (6). The reportable person under 10 accounts for 3.63% (1,271,173 voting rights) in accordance with 22 para 1 sentence 1 no. 1 WpHG through the reportable persons under (8) and (9) from the reportable person under (6). The chain of the controlled companies through which the voting rights are actually held is as follows: the reportable person under (1) controls the reportable person under (10); the reportable person under (10) controls the reportable person under (9); the reportable person under (9) controls the reportable person under (8); the reportable persons under (7) and (8) control the reportable person under (6). The publication in accordance with § 26 para 1 sentence 1 WpHG was made on June 5, 2008.

In accordance with § 21 para 1 sentence 1 WpHG Kizoo AG submitted a notification on June 30, 2008 according to which its treasury shares in Kizoo AG, Karlsruhe, fell below the thresholds of 5% and 3% of voting rights of Kizoo AG, Karlsruhe and that the number of voting rights I Kizoo AG amounted on that date to 0% (this corresponds to 0 voting rights). The publication in accordance with § 26 para 1 sentence 2 WpHG was made on June 30, 2008.

On October 20, 2008 the reportable persons (1) HBK Management LLC, Wilmington, USA, (2) HBK Partners II L.P., Wilmington, USA, (3) HBK Investments L.P., Wilmington, USA, (4) HBK Services LLC, Wilmington, USA, (5) HBK New York LLC, Wilmington, USA, (6) HBK Master Fund L.P., George Town, Grand Cayman, Cayman Islands, (7) HBK Offshore Fund Ltd., George Town, Grand Cayman, Cayman Islands, (8) HBK Fund L.P., Wilmington, USA, (9) HBK Capital L.P., Wilmington, USA, (10) HBK Partners I L.P., Wilmington, USA, notified Kizoo AG in accordance with § 21 para 1 WpHG (German Securities Trading Act) of the following: (1) On October 14, 2008 the number voting rights of the reportable persons under (1) to (10) in Kizoo AG, fell below the threshold of 3%. The reportable persons under 1-10 held on that date 578,501 voting rights each of a total of 31,713,346 voting rights of Kizoo AG; this corresponded to a 1.82% share in the voting rights. (2) The reportable

person under (1) accounts for 1.82% (578,501 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG in conjunction with § 22 para 1 sentence 2 WpHG and also in accordance with § 22 para 1 sentence 1 no.1 WpHG. The reportable person under (2) accounts for 1.82% (578,501 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG in conjunction with § 22 para 1 sentence 2 WpHG. The reportable person under (3) accounts for 1.82% (578,501 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG. The reportable persons under (4) and (5) account for 1.82% (578,501 voting rights) in accordance with 22 para 1 sentence 1 no. 6 WpHG (through a subdelegated power). The reportable persons under (7), (8), (9) and 10 account for 1.82% (578,501 voting rights) in accordance with 22 para 1 sentence 1 no. 1 WpHG. The publication in accordance with § 26 para 1 sentence 1 WpHG was made on October 22, 2008.

In accordance with § 21 para 1 sentence 1 WpHG St. Anne Stiftung, Ursensollen submitted a notification on December 2, 2008 to Kizoo AG according to which its voting rights exceeded on December 2, 2008 the threshold of 3% and amounted to 4.48% (1,421,000 shares) on that date. The publication in accordance with § 26 para 1 sentence 2 WpHG was made on December 4, 2008.

All transactions with related persons and/or companies were carried out and evaluated as if they were transactions with independent third parties.

26. LEGAL DISPUTES

After the litigation described in the consolidated financial statements 2007 concerning the trademark "ComBOTS" and an IT purchasing and service agreement were settled in 2008, there is mainly one court case of subordinate relevance concerning services to be provided in respect of the Data Center. A corresponding provision was made in that respect.

27. EVENTS AFTER THE BALANCE SHEET DATE

By March 13, 2009 the share price of United Internet AG fell from EUR 6.29 per share on December 31, 2008 to EUR 5.11 per share. Referred to the share position held by the Group of 22.2 million United Internet AG shares there has been a share price decline since December 31, 2008 in respect of the position in the amount of EUR 26.2 million. Compared to December 31, 2007 (EUR 16.65 per share), the position decreased altogether by EUR 256.188 million by March 13, 2009.

The Executive Board is not aware of any other material events after the balance sheet date, which have a significant impact on the assets, financial and earnings position of the Kizoo Group.

28. SUPPLEMENTARY INFORMATION

a. Treasury shares

During the reporting period 638,132 treasury shares (prior year: 1.806.885) were acquired regularly by Kizoo AG through the stock exchange. The average purchase price amounted to EUR 11.08 per share (prior year: EUR 10.80) so that the total purchase price amounted to TEUR 7,071 (prior year: TEUR 7,813). 95,000 treasury shares were disposed of again within the framework of the exercise of stock options. Moreover 1,979,544 treasury shares were acquired based on the public buyback offer announced within the framework of the Annual General Meeting at a purchase price of EUR 11.66 per share. The public offer by the company was accepted to a large extent by the shareholders of Kizoo AG so that an allocation quota of approximately 39% was achieved taking into account a prioritization for small shareholders. The stock of treasury shares hence increased effective June 30, 2008 to 3,417,861 shares (prior year: 3,606,622 shares) or 9.73% of the nominal capital of the company. They were completely retired with effect from June 30, 2008. The subscribed capital of the company

was reduced accordingly by EUR 3,417,861; the remaining difference between the acquisition costs of the shares and the nominal value was offset against the capital reserve in the amount of EUR 36,004,511. Taking into account the shares issued pursuant to the exercise of stock options, the nominal capital of Kizoo AG amounted to EUR 31,717,212 on December 31, 2008.

The share buyback program decided by the Annual General Meeting on July 19, 2007 was completed with a simultaneous retirement of 3,417,861 shares (= 9.73% of the then nominal capital of the company). For the time being the company has no treasury shares.

On September 1, 2008 the empowerment of the Annual General Meeting of May 6, 2008 became effective which allows the acquisition of another 10% of the nominal capital by way of a share buyback through the stock exchange or a public buyback offer. The registered nominal capital currently amounts to EUR 31,717,212.

On the balance sheet date December 31, 2008 the Kizoo Group did not have any treasury shares (prior year: 895,185). The prior year value corresponded on December 31, 2007 to an arithmetic share in the nominal capital of TEUR 895 or 2.56%.

b. Headcount and personnel expenses

The Kizoo Group employed an annual average of 17 people (prior year: 121) during the fiscal year and on the balance sheet date 10 people (prior year: 94). Personnel expenses amounted during the fiscal year to TEUR 3,198 (prior year: TEUR 10,577). TEUR 2,952 (prior year: TEUR 9,413) were accounted for by wages and salaries and TEUR 246 (prior year: TEUR 1,164) 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 232 (prior year: TEUR 602) during the last fiscal year.

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 0 (prior year: TEUR 7,006) during the fiscal year.

d. Derivative financial instruments

Within the framework of liquidity investment the company entered into an interest swap transaction with a term until January 28, 2012 for the purpose of duration control for securities with a nominal value of TEUR 4,600. On the balance sheet date the negative market value of the interest swap was TEUR –165 (prior Year: TEUR –499). According to the prior year, the pending loss was reported under Other liabilities. The market value corresponds to the price at which third parties would have taken over the rights and obligations under the financial instrument on the balance sheet date. The valuation was based on the marking-to-market method.

e. Information concerning the auditor's fees in accordance with § 314 para 1 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 64 (prior year: TEUR 76)
·· Other services:
TEUR 11 (prior year: TEUR 15)

f. Shareholdings in accordance with § 313 para 2 no. 4 sentence 2 HGB

On the balance sheet date Kizoo AG holds 22,200,000 shares in United Internet AG. This corresponds to a share of 8.8% in the company. Kizoo AG holds 5,200,000 shares directly and indirectly 17,000,000 shares via subsidiaries. United Internet AG showed in the last financial statements published on December 31, 2007 a shareholders' equity of TEUR 596.803 (prior year: TEUR 454,104) and a result of TEUR 181.972 (prior year: TEUR 75,440).

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 March 13, 2009.

KARLSRUHE, MARCH 13, 2009 THE EXECUTIVE BOARD

GROUP MANAGEMENT REPORT FOR FISCAL 2008

01. BUSINESS AND GENERAL SITUATION

Since 2000 Kizoo AG (until May 9, 2008 ComBOTS AG, previously WEB.DE AG), Amalienbadstrasse 41, 76227 Karlsruhe has been listed on the stock exchange.

After the realignment during the first quarter of fiscal 2008 Kizoo AG now operates as a development and equity investment company with a focus on Internet services and digital communication. Apart from own products, the Kizoo Group invests primarily in young, innovative companies with a high growth potential. In 2008 the Kizoo Group made a first investment in an Internet company. At the same time the development of own products was advanced.

In addition, the Group continues to hold an 8.8% interest in United Internet AG, Montabaur and hence participates in the development of one of the leading German mixed Internet groups with offerings in the fields of portal, e-mail, DSL, web hosting and online advertising.

The restructuring measures initiated in Q4/2007 after the discontinuation of the "ComBOTS" product are now completed. The realization of assets no longer necessary for operations in the business lines "Real Property" and "Data Center Operation", which will be discontinued in future, still remains to be completed.

The capital resources have been gradually adjusted to the reduced scope of business of the company. Within the framework of dividend payments and share buybacks a total EUR 70.5 million were paid back to the shareholders of the company in 2008.

Against the backdrop of the high share of operating assets in listed and stock traded securities the current situation on the financial markets is reflected in a particular manner by the numbers of the Kizoo Group.

02. EARNINGS POSITION

Business line "Technology Ventures"

At the beginning of the year the Executive Board and the Supervisory Board dealt intensively with the new strategic orientation of the company. The previous business line "Communication services" was strategically enlarged and newly defined under the designation "Technology Ventures". On March 19, 2008 the Executive Board decided, with the approval of the Supervisory Board, that the future business operations should be based not only on the development of own innovative online services and products but also on the investment in young technology companies, more particularly in the field of online services and communication products.

The Annual General Meeting on May 6, 2008 approved the future orientation of the Group with a large majority and adapted the object of the company in conjunction with the goal of highlighting the future corporate focus also in the Byelaws. At the same time the name of the company was changed to Kizoo AG in order to clearly document the beginning of a new phase in the corporate development also to the outside. In its business operations the Group operates in addition with the label "Technology Ventures" as an integral component of the corporate logo. We intend to make investments in both internal projects (wholly owned subsidiaries) and external companies (minority shareholdings) in order to contribute our many years of experience with online products and make an optimum use of the resources available within the company.

Since the extension of the business activities to investments in young technology companies the Kizoo Group has received and processed more than 200 investment applications. During the second quarter of fiscal 2008 the wholly owned subsidiary Kizoo Technology Capital

GmbH, Karlsruhe made the first investment in a young technology company – Lesson Nine GmbH, Berlin, with its language learning portal Babbel.com. The minority shareholding illustrates the investment focus applied at the analysis of ventures: products and services in the Internet environment, online services and communication, mainly addressed to final customers (Business to Consumer). We also intend to invest in early stages (seed, start-up) and want to have a clear growth path and route to mark identified. To do so, it is necessary that a proof-of-foncept in the form of a viable product or a proven added value chain is submitted. The selection of the investment is – also against the backdrop of the difficult general economic situation – deliberately restrictive. We acquire minority shareholdings in appropriate companies (10% – 30%).

We apply the same principles to the evaluation and implementation of products and business models in respect of the remaining internal resources. Here, too, we have examined several projects against the backdrop of the very rapidly changing market conditions. On a small scale and within the framework of existing internal resources R&D measures for new products were carried out. The marketability of the development activities in the area internet services is not yet given. A product launch is however planned for the first half year.

For the business line Technology Ventures as a whole an investment volume of up to EUR 5 million is earmarked up to the end of 2009.

The portfolio company Lesson Nine GmbH had a good development during the last fiscal year. The milestones identified in the shareholding agreement were reached. The agreed second financing tranche was, therefore, paid out in December 2008. Given the early phase of development the company operated with a scheduled loss in 2008 but used significantly less resources than budgeted. Financing is secured for the time being.

Business lines "Real Property" and "Data Center Operation"

Apart from the development and investment business, operating activities focused, more particularly, on the development and implementation of the realization and continuation concepts for the existing assets, mainly for the Real Property and the Data Center. At the beginning of restructuring in the last quarter of 2007 the business lines "Real Property" (formerly: "Building Realization") and "Data Center Operation" were set up for this purpose.

The business line "Real Property" concerns essentially the real property and building "Karlsruhe, Amalienbadstrasse 41" held by Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Munich. The property is partly used as headquarter by the Kizoo Group. The business line "Data Center Operation" concerns the data center set up for the ComBOTS product, which was originally to be realized within the framework of housing and/or hosting operations.

During fiscal 2008 it turned out that the continuation and realization concepts elaborated for the real property and the data center could only be implemented to a limited extent and that the realization required more time than originally planned. No revenues from the realization of the real property and the data center were, therefore, recorded in 2008. In the meantime it has been decided that the realization focus will now be on selling the real property including the data center.

Given the orientation of the realization exclusively on selling, the business lines "Real Property" and "Data Center" are reported in the profit and loss statement for fiscal 2008 as discontinued business lines.

The comparative figures of prior year were adjusted accordingly. The result shown for the discontinued business lines Real Property and Data Center Operation includes the operating income of the business lines during the last fiscal year (EUR –5.6 million) as well as expenses in connection with the discontinuation of the business line "ComBOTS" in the amount of EUR 0.4 million. Concerning the "Data Center" and the "Real Property" this result is mainly made up of non-recurring unscheduled write-offs of the data center operation to the fair value within the framework of a realization scenario in the amount of EUR 3.1 million which are not a cash item.

This means that the business line "Technology Ventures" is the only business line remaining. For the continued business line total expenses for fiscal 2008 amount to EUR 5.8 million. Apart from structural and organizational costs of Kizoo AG, they include the personnel expenses and costs of materials in this business line. In the remaining business line no sales revenues or investment income were generated in 2008.

Financial result

On December 31, 2008 the Kizoo Group still held 22,200,000 shares in United Internet AG, Montabaur; this corresponded to an 8.8% share in the nominal capital on the balance sheet date.

As a result of the takeover of the WEB.DE portal in 2005, United Internet has become the German online advertising marketing company boasting the largest reach with the portals WEB.DE, GMX and 1&1.de totaling a reach of more than 20 million monthly users. In addition United Internet defends its position as one of the world's largest web hosters.

United Internet hence benefits to an above-average extent from the future developments in online advertising, E-Commerce and other online services. With our 8.8% share in United Internet AG Kizoo participates directly in this positive development of the Internet and portal market in all areas (online advertising, DSL, online services, web hosting, etc.).

As a result of the turmoil on the stock market since the beginning of 2008 and reinforced by the value loss of listed investments of United Internet AG (Freenet, Versatel, Drillisch) and the resulting need for write offs and losses of United Internet AG, the price of the United Internet share fell during the last fiscal year from EUR 16.65 (December 31, 2007) to EUR 6.29 at the end of 2008. This resulted in share price losses in respect of the United Internet share block held of EUR 230 million in fiscal 2008. These price losses are not recognized as income or loss in the consolidated profit and loss statement but are shown with no effect on the net profit in the shareholders' equity.

On May 1, 2008 one million of the then 23.2 million shares in United Internet AG were sold within the framework of the refinancing of capital measures. The capital gain realized in this transaction amounted to EUR 7.1 million and was reported in the financial result. At the same time the Group announced that it intended to continue its shareholding in United Internet AG as a substantial financial investment. The evolution of the investment is verified on an ongoing basis against the backdrop of the developments on the capital market.

Together with the proceeds from the shares sold at a profit the value of the United Internet block of shares amounted on December 31, 2008 to EUR 153.6 million which corresponded roughly to the value at the acquisition of the shares within the framework of the sale of the WEB.DE portal (October 31, 2005: EUR 154 million).

The investment of the available liquid assets and dividends from United Internet AG led to a positive financial and investment result of EUR 2.5 million in fiscal 2008 (prior year: EUR 7.8 million).

In the portfolio of other securities (IFRS carrying value EUR 29.1 million) the Kizoo Group is directly affected by the solvency and issuer risks caused by the financial crisis. Based on the payment standstill agreement of an issuer of two fixed-interest securities a write off in the amount of EUR 9.1 million in respect of the securities portfolio has become necessary. At the same time provisions for contingent losses from interest rate hedging transactions in the amount of EUR 0.3 million were written back.

As a response to the accelerated crisis on the financial markets the Executive Board decided, with the approval of the Supervisory Board, during the fourth quarter of 2008 to reduce the dependency of the Group on the future development of the financial markets. Within the framework of active risk management of financial investments the portfolio of fixed-interest securities was partly shifted to cash assets. Capital losses totaling EUR 3.6 million were recognized as income or loss in the profit and loss statement and at the same time the cash assets of the Group were increased to around EUR 26.9 million at the end of the year.

The remaining other securities are invested in fixed-interest issues of different issuers.

Consolidated net income for the year

Fiscal 2008 closed with earnings before taxes (EBT), including one-off expenses from restructuring in the amount of EUR 5.1 million, of EUR –8.4 million. Earnings before taxes in fiscal 2007 amounted to EUR –34.0 million. This corresponds to an improvement in net income in the amount of EUR 25.6 million, whereby a year-on-year comparison is difficult because of the respective special influences.

03. ASSETS AND FINANCIAL POSITION

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

BALANCE SHEET ITEMS / IN € MILLION

	12/31/2008	12/31/2007
CASH AND CASH EQUIVALENTS AND SECURITIES	195.6	515.9
OTHER SHORT-TERM ASSETS	3.4	7.6
TANGIBLE AND INTANGIBLE ASSETS INCLUDING REAL PROPERTY HELD AS FINANCIAL INVESTMENT	1.4	23.2
NON-CURRENT ASSETS HELD-FOR-SALE	16.6	1.7
TOTAL ASSETS	**217.0**	**548.4**
SHORT-TERM LIABILITIES	2.4	8.2
LONG-TERM BANK LIABILITY FROM PROPERTY LEASING COMPANY	9.2	11.6
SHAREHOLDERS' EQUITY	205.4	528.6
TOTAL LIABILITIES	**217.0**	**548.4**

The balance sheet total decreased by EUR 331.4 million compared to December 31, 2007. This results from the adjustment of the capital resources by payment of a dividend of EUR 1.20 per share. Furthermore, the share buyback through both the stock exchange and by way of the public buyback program followed by the retirement of the shares had an impact. The measures concerned a total volume of EUR 70.5 million.

At the same time liquid assets and securities decreased following the negative price development of the United Internet share as well as the share price and value losses of the other securities and the adjustment of the capital resources by EUR 320.3 million.

Liquid assets and securities of the Kizoo Group totaled EUR 195.6 million (prior year: EUR 515.9 million) on the balance sheet date. This corresponds to 90% of the balance sheet total. Of the total EUR 195.6 million, EUR 139.6 million are accounted for by the market value of the 22.2 million shares in United Internet (valued at the price on the balance sheet date of EUR 6.29 per share) and EUR 56.4 million concern liquid assets and interest-bearing securities.

Like in the previous year all remaining other securities within the long-term assets are shown in the consolidated financial statements in non-current assets as "Available-for-Sale".

In fiscal 2008 investments decreased significantly versus prior year and amounted to EUR 0.9 million (prior year: EUR 1.3 million) during the reporting period. With scheduled depreciations of EUR 2.6 million as well as disposals and/or unscheduled depreciations within the framework of the restructuring of EUR 3.1 million, tangible assets (including intangible assets) were reduced accordingly. Furthermore, total tangible assets

in the amount of EUR 16.6 million were classified as "non-current assets held-for-sale" following the initiated sale of the business lines "Real Property" and "Data Center Operation" and reported accordingly in the balance sheet.

As of December 31, 2007 the Kizoo Group reported 895,185 treasury shares acquired since August 8 through the stock exchange at an average purchase price of EUR 11.56 per share or a total of EUR 10.4 million.

During the first half-year another 638,132 treasury shares were acquired by Kizoo AG regularly through the stock exchange. The average purchase price amounted to EUR 11.08 per share so that the total purchase price amounted to TEUR 7,071 (prior year: TEUR 7,813). 95,000 of these treasury shares were disposed of again within the framework of the exercise of stock options.

Furthermore 1,979,544 treasury shares were acquired at a purchase price of EUR 11.66 per share based on a public buyback offer announced on May 4, 2008. The public offer of the company was accepted to a large extent by the shareholders of Kizoo AG so that an allocation quota of approximately 39% was achieved taking into account a prioritization for small shareholders.

The stock of treasury shares amounted to 3,417,861 shares or 9.73% of the nominal capital of the company as of June 30, 2008. With effect from June 30, 2008 they were completely retired. The subscribed capital of the company was reduced accordingly by EUR 3,417,861; the remaining difference between the acquisition costs of the shares and the nominal value was offset against the capital reserve in the amount of EUR 36,004,511. Taking into account the shares issued pursuant to the exercise of stock options, the nominal capital of the company amounted to EUR 31,711,412 on June 30, 2008. By the end of fiscal 2008 it was increased through further exercises of options by 5,800 new shares to EUR 31,717,212.

On the balance sheet date the Kizoo Group does not hold any treasury shares.

On the balance sheet date the shareholders' equity of the Kizoo Group amounted to a total EUR 205 million (December 31, 2007: EUR 529 million) or 95% of the balance sheet total. The reduction of the reported shareholders' equity is mainly attributable to the deficit for the year of EUR –8.4 million reported in the profit and loss statement for the reporting period, share buybacks during the reporting period totaling EUR 30 million as well as dividend payments of 40 million and the decrease in value of the United Internet shares by EUR 230 million recognized with no effect on the net profit.

As a result of the substantial reduction of the securities portfolio as well as the planned adjustment of capital resources through the payment of financial resources to the shareholders, the Group has given off significant substance. This consumption of substance can be seen directly from the reduction in liquid assets and securities as well as the reduction of the shareholders' equity in the balance sheet on the other hand. The financial position of the Group is, however, to be considered as sound and future-proof.

Except for dues to banks from the financing of the real estate in Karlsruhe within the framework of a property leasing relationship, no dues to banks existed on December 31, 2008. With the classification of the business line "Real Property" as discontinued business line the dues to banks were reclassified in the position "liabilities concerning non-current assets held-for-sale". Within the framework of our long-term real property leasing agreement, the "Amalienbadstrasse" property in Karlsruhe

used for operating purposes was leased in 2001. In this connection and as a result of additional investment measures in 2004, payment obligations with a present value of EUR 7.1 million have resulted for the next 13 years. Based on the contractual agreements with Sarah Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG holding the real property, the real property is to be recognized on the level of Kizoo AG and is included in the consolidated financial statements.

The essential cash and cash equivalent streams during the fiscal year are as follows:

CASH AND CASH EQUIVALENT STREAMS / IN € MILLION

	2008	2007
CASH FLOW FROM THE OPERATING ACTIVITY	–6.1	–28.2
CASH FLOW FROM THE INVESTING ACTIVITY	61.2	52.9
CASH FLOW FROM THE FINANCING ACTIVITY	–72.5	–18.5
CHANGE IN LIQUID ASSETS	**–17.4**	**6.1**
LIQUID ASSETS AT THE BEGINNING OF THE FISCAL YEAR	44.3	38.2
LIQUID ASSETS AT THE END OF THE FISCAL YEAR	**26.9**	**44.3**

During the reporting period the cash flow from operating activity amounted to EUR –6.1 versus EUR –28.2 million during the comparable prior year period. In fiscal 2008 EUR –0.7 million were attributable to the discontinued business lines “Real Property” and “Data Center Operation” (prior year: EUR –19.0 million). Investing activities resulted in fiscal 2008 in a cash flow of EUR 61.2 million (prior year: EUR 52.9 million), of which EUR 1.7 million (prior year: EUR –1.0 million) were accounted for by the discontinued business lines “Real Property” and “Data Center Operation”. The amount of EUR –3.0 million (prior year: EUR –0.5 million) of the cash flow from the financing activity in the amount of EUR –72.5 million (prior year: EUR –18.5 million) concerns the discontinued business lines.

The tax paid during the reporting period in the amount of EUR 2.3 million is accompanied by tax refunds in the amount of EUR –5.1 million. Both concern essentially capital gains tax on dividend and interest payments received.

Investments in tangible and intangible assets amounted to EUR 0.5 million during the reporting period versus EUR 1.3 million during the comparable prior year period.

In fiscal 2008 treasury shares were acquired at acquisition costs totaling EUR 30.2 million or an average EUR 11.52 per share (prior year: EUR 20.2 million).

Cash inflows from interest and dividends amounted to EUR 7.6 million (prior year: EUR 10.4 million) during the reporting period; cash outflows from interest amounted to TEUR 600 (prior year: TEUR 470), cash outflows from dividends amounted to EUR 40.3 million (prior year: EUR 0 million) during the reporting period.

04. EMPLOYEES

Overall, the Kizoo Group employed 11 people at the end of the past fiscal year. In the wake of restructuring, the headcount of the Group was reduced to 8 employees after the balance sheet date effective February 28, 2008.

In addition to the payment of fixed salaries, the compensation system of the Kizoo Group provides in large parts of the company also for variable salary components, which depend on the achievement of individually agreed performance targets. Furthermore, the employees of Kizoo AG and its majority subsidiaries are integrated into an employee participation scheme in the form of a stock option plan.

05. 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 sustained entrepreneurial success by means of classical financial parameters, in particular EBIT, the operating income and the operating cash flow.

Within the framework of the focusing and restructuring efforts we make high demands on the efficiency and quality of our operating procedures and processes. We make the same high demands in terms of technical and methodological skills on our employees. On the other hand, we promote and demand a high degree of self-responsibility and decision-making competence of our people.

In the absence of a currently not yet sufficiently concrete definition of contents of the future operating activities in the business line “Technology Ventures”, it is not appropriate to make any more extensive useful concretization of performance indicators and success factors. For the minority shareholdings in young technology ventures the return on the invested capital, usually to be calculated upon the exit, is used as a yardstick on a medium and long-term basis, in accordance with standard industry practice.

06. BASIC PRINCIPLES OF THE COMPENSATION SYSTEM FOR EXECUTIVE AND NON-EXECUTIVE BODIES OF KIZOO AG

The total compensation of 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 Kizoo AG. All compensation components are appropriate, on their own and in combination.

In fiscal 2008 the fixed compensation of the overall Executive Board amounted to TEUR 976. This includes the compensation of Executive Board member Robert Gratzl who left the company effective March 31, 2008 as well as for the newly appointed Executive Board member Frank Schüler from June 6, 2008 onwards. In addition, each member of the Executive Board is paid a variable compensation in the amount of 0.5% of the positive consolidated profit before income tax, which is limited to a maximum of 25% of the fixed compensation. Furthermore, the members of the Executive Board

except for the CEO, Michael Greve, were granted within the framework of the stock option plan of Kizoo AG subscription rights for the acquisition of shares of Kizoo AG in the past.

Founder Michael Greve, who is not granted any subscription rights for shares of Kizoo AG, has by way of compensation a claim to a fee which is based on an 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.

The compensation for the Supervisory Board of Kizoo AG breaks down as follows:

Every member of the Supervisory Board is paid a fixed as well as a performance-based compensation in the amount of 0.1% of the positive Group profit before income tax in accordance with the adopted consolidated financial statements but limited to the amount of the fixed compensation as well as an expense allowance. 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. In 2008 the fixed compensation of the Supervisory Board, which was composed of three members, including attendance allowances, amounted to TEUR 61 (prior year: TEUR 67). As in the previous year there were no variable compensations in fiscal 2008.

07. OTHER INFORMATION UNDER § 315 PARA 4 HGB (GERMAN COMMERCIAL CODE)

The fully paid up nominal capital of the company amounts to TEUR 31,717 (prior year: TEUR 35,001) as of December 31, 2008 and is sub-divided into 31,717,212 (prior year: 35,001,476) registered no par value shares.

Furthermore, the Executive Board was authorized by the Annual General Meeting on July 17, 2003 to increase, with the approval of the Supervisory Board, the nominal capital 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).

Moreover, the Executive Board was authorized to increase the nominal capital, 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).

The two empowerments were not used by July 17, 2008, so that they are now invalid.

In addition, the Annual General Meeting on July 17, 2003 proceeded to a contingent increase of the nominal capital by up to EUR 3,000,000 by issuing up to 3 million new ordinary shares. The contingent capital increase serves for the granting of option rights and is only carried out in as far as the holders of options exercise their right (contingent capital I). In accordance with the resolution of the Annual General Meeting of July 17, 2003 the nominal capital is contingently increased by another amount of up to EUR 16,000,000 by issuing up to 16 million 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 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.

The contingent capital II was not used by July 17, 2008 either. Consequently, the empowerment is likewise now invalid.

At the Annual General Meeting on July 19, 2007 the Executive Board was authorized, as in the previous Annual General Meetings, to acquire until January 18, 2009 up to 3,800,000 treasury shares corresponding to no more than 10% of the current nominal capital of the company. The authorization to acquire treasury shares was adjusted at the Annual General Meeting on May 6, 2008 insofar as it was suspended effective August 31, 2008. At the same time the Annual General Meeting on May 6, 2008 granted the Executive Board a new empowerment for the buyback of a maximum of 10% of the valid nominal capital. It became effective on September 1, 2008. The 2,617,676 treasury shares bought back in 2008 were all acquired under the empowerment of the Annual General Meeting of July 19, 2007.

By decision of the Executive Board of June 30, 2008, with the consent of the Supervisory Board, the 3,417,861 treasury shares bought back up to that time in accordance with the empowerment of the Annual General Meeting were retired with a simultaneous decrease of the nominal capital by a nominal amount of EUR 3,417,861. The entry in the commercial register was made on August 1, 2008. The subscribed capital of Kizoo AG was reduced accordingly by EUR 3,417,861.

After the retirement of the treasury shares, the share buyback program of Kizoo AG, since September 1, 2008 under the empowerment of the Annual General Meeting of May 6, 2008, has not yet been resumed. On December 31, 2008 the Kizoo Group has no longer any treasury shares (prior year: 895,185).

The appointment and dismissal of members of the Executive Board is governed by §§ 84, 85 AktG (German Stock Corporation Act). Any amendments to the Byelaws are governed by §§ 179, 133 AktG. Moreover, the Supervisory Board is empowered to adopt amendments to the Byelaws, which only concern the version.

Cinetic GmbH, Gesellschaft zur Entwicklung und Vertrieb von Medientechnik, Karlsruhe (50% of which is held by Matthias and Michael Greve each), continues to hold 21,584,505 shares of Kizoo AG. This corresponds to a share of 68,0 % in the nominal capital of Kizoo AG on the balance sheet date. Furthermore, Michael and Matthias Greve hold through asset management companies another 292,700 shares. On the balance sheet date a total of 22,169,905 shares are under the control of the Greve brothers (corresponds to 69.9% of the nominal capital of Kizoo AG). Another 1,421,000 shares (= 4.48% of the current nominal capital) acquired by Cinetic GmbH in the course of 2008 were dispensed again within the framework of a donation effective December 1, 2008.

08. SUPPLEMENTARY REPORT

By March 13, 2009 the share price (Xetra) of United Internet fell from EUR 6.29 per share on December 31, 2008 to EUR 5.11 per share. Based on the share position of 22.2 million United Internet shares held by the Group, the decrease in value of these shares since December 31, 2008 amounted to EUR 26.2 million.

After recoveries from tax receivables and mature securities, cash and cash equivalents amount to EUR 29.4 million on March 13, 2009. Consequently, the Group holds

the main resources outside the United Internet block of shares as liquid assets available at short-term.

Further transactions of significant impact have not occurred after the balance sheet date.

09. RISK REPORT

Risk management objectives, principles and methods

Responsible dealing with financial, human and other resources is part of the Kizoo corporate culture, more particularly against the backdrop of the reduced scope of business. In this connection Kizoo 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 aware 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 Kizoo is guided by the following principles:

Any entrepreneurial activity involves risks. Efficient risk management presupposes clear and unequivocal allocations of tasks and responsibilities 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 to those responsible within the company.

Against this backdrop, the goal of a risk management system is to facilitate the task of risk analysis and assessment for those responsible. 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.

Risks in connection with the business line Technology Ventures

The company intends to invest in new business models and concepts both through development in-house and investments in third party companies. In this connection concepts and business lines, more particularly Internet and communication services, are continuously evaluated in terms of their potentials, opportunities and threats. There is a risk that it will not be possible within an overseeable period of time to define a future safe product and/or business model or to find appropriate

investments. This might have a considerable impact on the future business strategy and the resulting scope of business of the Group.

The investment in own developments and in young technology ventures pursues the objective of high returns. At the same time it involves a high risk potential. Since at the beginning of projects related to own developments or in the event of companies at the acquisition of the shareholding no earnings are generated as a rule and it cannot be assumed at that time that the implementation of a business idea will be successful, risks arise in the amount of the investment volume for the company. In the event of investments in young companies, the risk basically increases significantly depending on the closeness of the foundation of the company.

Write offs in respect of investments up to the total loss of investments as a result of insolvency cannot be avoided despite a restricted investment focus, many years of experience and close support of the investment and are, more particularly, not unusual in early stage financing. In the run up to an investment these risks are to be minimized through strict selection criteria and procedures as well a permanent improvement of the due diligence process. Management will counter the financial impact of any loss in value of investments through early support and correction measures as well as an ongoing improvement of controlling.

At the same time the investment approach selected provides an opportunity to participate in a diversified and sustainable manner in new business models and products and to generate significant returns.

Risks in connection with the realization of the business line Real Property and Data Center Operation as well as the restructuring of the Group

In the wake of the restructuring measures initiated, realization and continuation plans were elaborated for the existing assets. Concerning hardware no longer necessary, realization was completed in 2008. There are overseeable, general warranty, damage and solvency risks, which remain in respect of the sale. At present there are no major indications in this respect.

The concepts for the business lines Real Property and Data Center Operation formulated within the framework of the realignment could only be implemented to a very limited extent in the existing market environment in 2008. For that reason the Group has decided to direct the focus now fully to the sale of the real property and the data center and to discontinue the business lines Real Property and Data Center Operation accordingly in operational terms. The realization scenarios assume in a first scenario the sale of the real property including a data center equipped for operations. In a second scenario the real property is sold as a whole as a commercial property, i.e. including the data center area and the data center furnishings are removed and realized separately. Based on the current information, we assume that the carrying values cannot be realizable after a removal and a subsequent disposal of the technical equipment of the Data Center and we have, therefore, made valuation allowances in an amount of EUR 3.1 million based on lower current market values in the carrying amounts. We expect that we will be able to complete the realization despite the difficult market conditions during this year.

Concerning the real property calculations on the basis of the discounted expected cashflows were made based on the offers of brokers and real estate experts. On this

basis, we assume that the obtainable selling prices will cover the carrying value of the real property. If the company were not to succeed in realizing the assets for sale in accordance with the planned terms and conditions, this might involve the need for additional unscheduled write offs with the corresponding negative impact on the assets, financial and earnings position.

Risks in connection with the investment of financial assets

A considerable part of the financial resources of the Kizoo Group is held in the form of 22.2 million shares in United Internet AG. The market value of these shares amounted to EUR 139.6 million on December 31, 2008. Driven by the general share price losses on the international stock markets and reinforced by a particularly strong market sensitivity of United Internet shares, our investment has suffered from a substantial value reduction versus prior year. This means that the investment risk referred to last year has materialized.

Given the currently extremely volatile and uncertain markets, the shares are subject, like all listed securities, to price fluctuations which can of course not be excluded in the case of United Internet as a result of general influences from the stock markets or specific corporate developments. These share price losses can continue to have major negative impact on our assets, financial and earnings position.

After comprehensive adaptations to the current market situation the current consensus of analyst views assumes on the basis of the good business development of the company compared to the general economic situation an upside share price potential for the United Internet share. The real economy, the banking environment and the stock market continue to be in an extremely volatile and unstable phase as a consequence of the financial crisis and the resulting world economic crisis. Depending on the actual development, a positive or negative development of the stock markets during fiscal 2009 may also have a material impact on the share price development of the United Internet block of shares; from the current point of view this is, however, difficult to forecast.

As far as the shareholding in United Internet AG is concerned, we will, therefore, closely monitor the economic development of the investee and the capital market conditions and permanently check in how far value potentials have been exhausted.

The investment risks reported in the Management Report of fiscal 2007 for liquid assets and other securities have likewise partly materialized despite a broad diversification in respect of bonds and money market securities. Fixed-interest bonds with investment grade have been hit by the impact of the financial crisis, too. Variations in interest rate, solvency risks and market rejections as well as market failure or the similar resulted in share price losses and/or restricted fungibility of investment securities. This effect might continue in 2009. The profitability of investments by the Kizoo Group could be jeopardized and/or considerably reduced. In the worst case there may even be defaults in payment.

In particular the developments and turbulences on the international capital markets in connection with the financial crisis have resulted in a significant increase in the credit and liquidities spread for corporate bonds and so-called “Asset Backed Securities“ (ABS structures) which have company loans as underlying or reference instrument. At the same time the market prices for these financial securities have come under major pressure and the tradability of these financial instruments has become severely restricted.

Within the framework of the risk management of financial investments Kizoo AG has shifted its portfolio of fixed-interest securities partly to cash assets. With this measure the dependency of the company on the future development of the financial market was reduced accordingly.

Nonetheless the portfolio of Kizoo AG includes on the balance sheet date individual bonds with different maturities whose prices and fungibilities have come under pressure in the wake of the subprime crisis and which may even be at risk of defaulting if certain framework conditions materialize. Based on the information available to us, we currently assume that the current price markdowns are only of a temporary nature and would not expect a concrete default of one or more securities. We rather expect the realizability of the nominal amount no later than at their maturity. At the same time we cannot, however, fully exclude such losses, which can have a material negative impact on our assets, financial and earnings position. This applies more particularly to the remaining ABS structures which have company loans as underlying or reference instruments. In this connection it is almost impossible to make a reliable statement on future defaults of debtors and hence possibly of the entire investment.

Similar risks exist of course also in respect of the other shareholdings in investees, whose volume is, however, comparatively insignificant.

Litigation and tax risks

As already stated in the Management Report 2007, an action under trademark law of another company concerning the name "ComBOTS" was admitted and the appeal on points of law before the Federal Supreme Court of Justice was not admitted. Kizoo lodged an appeal against the refusal to admit an appeal on points of law in February 2008. After the company changed its name to Kizoo AG by resolution of the Annual General Meeting in May 2008, there was no longer any reason to defend the previous name. The appeal against the refusal to admit an appeal on points of law was withdrawn, the judgment by the Higher Regional Court Dusseldorf was recognized and the brand ComBOTS was comprehensively given up. So far the other party has not initiated any damage proceedings under civil law, which would basically be possible. There only remains a litigation of minor importance concerning services at the Data Center to be provided. An according provision for this has been made.

Kizoo does not expect this lawsuit to have a material impact on the assets, financial and earnings position.

The last field tax audit of the Kizoo Group covered the assessment periods until 2002 included. Further final tax field audits did not take place for any subsequent periods. The competent tax authority has now imposed a regular field tax audit for the years 2003 to 2007 for all affiliated companies, which began in December 2008. Against the backdrop of the extensive transactions and operations of the past years in particular under company law and in connection with the Portal business, it can of course not be excluded that tax assessments within the framework of the field audits may lead to subsequent tax payments for past assessment periods. At present there are no indications for such subsequent payments, which could have a material impact on the assets, financial and earnings position of the Group. Nonetheless this cannot be completely excluded as a matter of principle.

Warranty and performance risks in connection with the sale of the Portal business

In connection with the sale of the Portal business to United Internet AG, we furnished comprehensive warranties and made 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 Kizoo AG under the violation of such warranties was limited to a total amount of EUR 100 million. Concerning the performance of the main 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.

So far the United Internet Group has not asserted any claims. If claims were asserted in future against Kizoo 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 special influences quarterly results are subject to major variations which could entail significant variations in the share price of Kizoo AG.

10. FORECAST REPORT

After the restructuring and realignment are largely completed, the focus of the Group is on the further development of the business line "Technology Ventures", on the realization of the "Real Property" and "Data Center" as well as on the close monitoring of the investments in United Internet and other securities.

The situation under business law is sound. No additional structural measures are currently planned. The target headcount is reached; no further adjustment measures are planned for the near future. The cost basis will altogether develop in a stable manner on the level reached.

Extension of the business line "Technology Ventures"

In mid-2008 the Kizoo Group entered the venture capital market at a time when conditions – also as a result of the financial and economic crisis – started to materially change. The number of professional financiers for early-phase ventures has declined, investment volumes and above all the valuation criteria of the initiators have been severely restricted. This trend will continue in 2009. We have been reluctant in this phase in terms of offers for investments, firstly to gather more experience on the market and secondly to prevent investing at the wrong time. Time is working in this case in our favor.

We will maintain this approach in 2009 and 2010. We will proceed in an extremely selective manner and keep an eye on the general economic development. As a matter of principle early-phase investments are highly attractive in this market situation since the financing volumes remain manageable and as a rule no material revenues have to be defended on the market. In future they will then enter the growth phase after the markets will hopefully have recovered. Moreover, the currently very difficult exit issue is not yet on the agenda.

In technological terms the current market environment for Internet services continues to be marked by an extremely high uncertainty concerning current trends and future-proof business models.

Decisions in favor of investments in young ventures or in own product developments must hence be taken against the backdrop of an extremely uncertain market environment; this makes it extremely difficult to give an indication for a reliable business and revenue development as a basis for an investment decision.

In its technology venture activities the Kizoo Group focuses overall on a long-term value development. Consequently, the company does not expect significant profit contributions from this business line in 2009 and 2010.

The number of investment applications will remain high but will no longer reach the level of 2008. We continue to plan to invest a maximum of EUR 5 million in Technology Ventures by the end of 2009. This includes internal projects. A forecast beyond that period is difficult in the current environment. From the current point of view, investments in 2010 are likely to remain on the level of the year 2009.

Realization of the Real Property and Data Center Operation

When the realization of the real property and the data center operation are completed, not only substantial liquid asset inflows but also significant cost relief is to be expected for the Group. Consequently, we will step up our realization efforts. Given the difficult economic framework conditions, the company expects tangible relief, however, during the second half year 2009 at the earliest.

Financial investments

2009 will be a challenging year concerning the development of our financial investments and, more particularly, for our shareholding in United Internet. Since the end of 2007 the entire block of shares in United Internet in the amount of 22.2 million shares has been qualified as a pure financial investment. The economic development is checked on an ongoing basis, in particular against the backdrop of capital market conditions. However, it appears unlikely that the stock markets and, more particularly, the United Internet share will recover in the current environment at short notice in a way which would render disinvesture attractive.

We will continue to invest our available liquid assets close to the money markets and with low risk.

Business planning 2009

The cost base will develop in a stable way on the level reached in 2009. Including the current costs (without depreciations) for the real and the data center operation currently in realization, costs will move between EUR 4 and 5 million. Savings are possible if the real property and the data center can be realized in the course of the year.

Pending the generation of revenue and investment contributions from the business line “Technology Ventures”, the costs incurred are to be financed through earnings from the financial investments. The interest-bearing investments have significantly reduced because of the high outflows in 2008, primarily for payments to shareholders. Strengthened through the clear decrease in interest rate level more particularly in the very short-term area currently preferred for risk reasons, the financial investments will have significantly lower returns than in the past. Furthermore, it remains to be seen whether United Internet can uphold its current dividend policy in 2009.

Against the backdrop of the current assets and financial structure, the company expects a positive result for the full year 2009 only if dividends are paid on the existing level. Otherwise a low single digit million loss is anticipated. This also assumes that the financial crisis will not require any further write offs of fixed interest investments and the realization develops on schedule. In 2010 at the latest we expect a return of United Internet AG to its former earnings and dividend strengths.

Capital market strategy

Kizoo AG regularly verifies its capital resources and capital market strategy.

The substance of our company continues to be strong. The further development of the markets is uncertain. Therefore, the Executive Board proposes to carry forward in full the balance sheet profit of Kizoo AG amounting to € 90,069,260.55 on new accounts.

The Executive Board and the Supervisory Board have also not yet decided about the continuation of the buyback of treasury shares. Buyback through the stock exchange appears to be hardly appropriate given the currently minimum volume traded. The repetition of a public share buyback offer is conceivable. This would, however, presuppose a calming down of the markets with a correspondingly lower volatility of share prices.

KARLSRUHE, MARCH 13, 2009 THE EXECUTIVE BOARD

INDEPENDENT AUDITORS' REPORT

AUDIT OPINION

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 the Kizoo AG (until May 9, 2008 ComBOTS AG, previously WEB.DE AG), Karlsruhe, comprising the consolidated balance sheet, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2008 to December 31, 2008. 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, March 13, 2009
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

FLUCK
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

GRATHWOL
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

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

KARLSRUHE, MARCH 13, 2009 THE EXECUTIVE BOARD

EXPLANATORY REPORT OF THE EXECUTIVE BOARD

EXPLANATORY REPORT OF THE EXECUTIVE BOARD IN ACCORDANCE WITH § 120 PARA 3 SENTENCE 2 AKTG (STOCK CORPORATION ACT) ON THE INFORMATION IN ACCORDANCE WITH §§ 289 PARA 4 AND 315 PARA 4 HGB (COMMERCIAL CODE) IN THE MANAGEMENT REPORT AND/OR GROUP MANAGEMENT REPORT FOR FISCAL 2008

The Executive Board of Kizoo AG submits the following explanatory report in accordance with § 120 para 3 sentence 2 AktG (German Stock Corporation Act) on the information in accordance with §§ 289 para 4 and 315 para 4 HGB (German Commercial Code) in the management report and/or Group management report for fiscal 2008:

1. The nominal capital of the company as of December 31, 2008 amounts to EUR 31,717,212.00. It is divided into 31,717,212 no par value nominal shares with a proportionate share in the nominal capital of EUR 1.00. All shares grant the same rights and, more particularly, the same voting rights. No shareholder and no group of shareholders are entitled to special rights vis a vis the company.

2. The exercise of the voting rights or the transferability of shares by shareholders is exclusively governed by the statutory restrictions. Other restrictions concerning the exercise of the voting rights or the transferability of shares by the shareholders are currently not known to the Executive Board.

   At the time of preparation of this report the company held no treasury shares (status: March 13, 2009).

3. Cinetic Gesellschaft zur Entwicklung und Vertrieb von Medientechnik mbH, Karlsruhe (of which Matthias and Michael Greve hold 50% each) continues to hold 21,584,505 shares of Kizoo AG without any changes versus prior year. This corresponds to a share of 68.05% in the nominal capital of Kizoo AG on the balance sheet date. Another 1,421,000 shares (= 4.48% of the current nominal capital) acquired by Cinetic GmbH in 2008 were again disposed of effective December 1, 2008. Moreover, Michael and Matthias Greve hold a further 292,700 shares each through asset management companies. On the balance sheet date 22,169,905 shares are hence under the control of the Greve brothers (corresponds to 69.9 percent of the nominal capital of Kizoo AG). Another1,421,000 shares (= 4.48% of the current nominal capital) acquired by Cinetic GmbH in 2008 were disposed of again effective December 1, 2008 within the framework of a donation.

4. The appointment and dismissal of member of the Executive Board is based on §§ 84, 85 AktG in conjunction with § 6 of the Byelaws. The Executive Board of the company consists of at least two members. Notwithstanding any coercive statutory provisions the Supervisory Board determines the precise number of members of the Executive Board.

   In accordance with §§ 179, 133 AktG the Byelaws of the company may only be amended subject to a resolution by the general meeting. In accordance with § 20 para 1 of the Byelaws the resolutions of the general meeting are adopted with a simple majority of the votes cast, unless a higher majority is imposed by statutory provisions. Insofar as the Stock Corporation Act also provides for a majority of the nominal capital represented at the adoption of resolutions for the adoption of resolutions, the simple majority of the capital represented is sufficient, unless a higher capital majority is imposed by law. Furthermore, the Supervisory Board is empowered in accordance

with § 15 of the Byelaws, to adopt amendments to the Byelaws which only concern the version. The Supervisory Board is also empowered in accordance with § 5 para 7 of the Byelaws to revise the version of the Byelaws of the company after capital increases (authorized capital I and authorized capital II) or after the expiration of the empowerment periods without any increase. Based on the empowerment of the general meeting of May 6, 2008 the Executive Board is entitled to adjust the Byelaws if treasury shares are collected by a simplified procedure without capital decrease (§§ 71 para 1 No. 8 sentence 6, 237 para 3 No. 3 AktG).

5. The company availed itself of the possibility of creating authorized and contingent capital in accordance with the German Stock Corporation Act. The Executive Board has the following entitlements to issue or buy back shares on the balance sheet date:

(a) Contingent capital

The nominal capital is conditionally increased by up to EUR 3 million by issuing up to 3 million new ordinary shares (CONTINGENT CAPITAL I). The contingent capital increase serves the granting of subscription rights (stock options) to employees and members of the Executive Board of the company and affiliated companies in accordance with the resolution of the general meeting of July 11, 2002. The contingent capital increase is only carried out to the extent that the holders of option rights, whose issue by the Executive Board or Supervisory Board was permitted by the general meeting, exercise their option rights. The new shares participate in profits from the beginning of the fiscal year during which they are issued. The Executive Board is empowered to define, with the consent of the Supervisory Board, any further details governing the contingent capital increase.

b) Empowerment to buy back shares

By resolution of the general meeting of May 6, 2008 the Executive Board of the company was empowered with effect from September 1, 2008 to acquire by May 5, 2009, based on the principle of equal treatment (§ 53a AktG), up to 3,500,147 shares of the company, corresponding to 10% of the nominal capital of the company at the adoption of the resolution, subject to the proviso that the shares to be acquired pursuant to this empowerment and other shares of the company which the company has already acquired or still holds may not account for more than 10% of the nominal capital of the company. The acquisition is carried out either through the stock exchange or through a public purchase offer addressed to all shareholders of the company.

No use has so far been made of this empowerment (status: March 13, 2009).

The previous empowerment of the Annual General Meeting of July 19, 2007 concerning the acquisition of treasury shares was cancelled by the Annual General Meeting of May 6, 2008 with effect from August 31, 2008.

(c) Authorized and contingent capital which expired during the reporting period

In accordance with § 5 para 5 of the Byelaws the Executive Board was empowered to increase, with the consent of the Supervisory Board, the nominal capital of the company during the period up to 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).

No use was made of this empowerment by July 17, 2008.

In accordance with § 5 para 6 of the Byelaws the Executive Board was, moreover, entitled to increase the

nominal capital of the company, with the consent of the Supervisory Board, during the time up to and including July 17, 2008 once or several times by a total of up to EUR 3,800,000 by issuing new ordinary shares against cash contribution (AUTHORIZED CAPITAL II).

No use was made of this empowerment by July 17, 2008 either.

The nominal capital is increased by another amount of up to EUR 16 million by issuing up to 16 million new nominal no par value shares with entitlement to profits in a contingent manner from the beginning of the fiscal year of their issuing (CONTINGENT CAPITAL II). The contingent 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 empowerment of the annual general meeting of July 17, 2003 up to July 17, 2008 by the company or a subordinated affiliated company, if the issue is made against cash.

However, no such bonds with warrants or convertible bonds were issued. The contingent capital may no longer be used since July 17, 2008.

Other circumstances to be stated in accordance with §§ 289 para 4 and 315 para 4 HGB (German Commercial Code) or to be explained in accordance with § 120 para 3 sentence 2 AktG (German Stock Corporation Act) are not known to us.

March 2009
KIZOO AG THE EXECUTIVE BOARD

FINANCIAL CALENDAR

ALL DATES ARE PRELIMINARY AND SUBJECT TO CHANGE

04/30/2009	QUARTERLY FINANCIAL REPORT Q1/2009
05/26/2009	ANNUAL GENERAL MEETING 2009
07/30/2009	HALF-YEAR FINANCIAL REPORT 2009
10/29/2009	QUARTERLY FINANCIAL REPORT Q3/2009

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