Sedo Holding AG

Cologne

Management Report for the Company and the Group

Consolidated Financial Statements
acc. to IFRS

Parent Company Financial Statements
acc. to HGB

of the Management Board
for the 2010 fiscal year

Management Report

of the Company

and the Group

Sedo Holding AG, Cologne

Management Report for the Company and the Group

Content of Management Report

Sedo Holding AG is one of Europe's leading suppliers of performance-based online marketing solutions. In its operating business, the Sedo Holding AG is represented by its specialists: affilinet in the field of Affiliate Marketing, and by Sedo in the Domain Marketing sector. The brands are thereby represented with offices in five European countries and the USA.

1. Economic Environment

Worldwide economic growth

In its World Economic Outlook update published in January 2011, the International Monetary Fund (IMF) reported worldwide economic growth of 5% in the year 2010. In 2009 it was still reporting a decline of 0.6%. The Gross Domestic Product (GDP) of the USA increased in 2010 by 2.8%, following -2.6% the previous year, and that of the European Union by 1.7% (previous year: -4.1%) and could, therefore, register positive growth once again.

In the World Economic Outlook, the IMF nevertheless notes that there are risks of a renewed decline in growth. Unemployment in the developed economies remains at a high level and within the EU there continue to be some countries which are threatened with insolvency. Comprehensive and fast measures which, above all, involve a reform of the financial systems and the state control systems, are necessary for a stable recovery.

German GDP with strong growth

In mid-January 2011, the German Federal Statistical Office Destatis reported a rapid upswing following the crisis. According to it, German GDP grew by 3.6% last year – following a decline of 4.7% in 2009. In his annual report, the Federal Minister of Economics pointed out the two pillars on which the upswing was based, exports and domestic demand. In addition, the immediate tax measures decided on within the context of the Federal Growth Acceleration Act passed at the end of 2009 made a contribution to the positive development.

Last year, the foreign-trade impulse also began to have an effect on domestic demand. In 2010 in addition to foreign trade, domestic investments and consumption expenditure also made a considerable contribution to the growth. The revival was also favoured by the labour market instrument of short-time working which was employed in the crisis. Since the companies were largely able to retain their skilled workers, they were able to respond quickly and flexibly to the increasing demand.

The advertising market recovers from the crisis

Nielsen Media Research reported in mid-January that the overall German advertising market grew in 2010. According to its report, the growth compared with the previous year was 11.0% and the total advertising market reached a new record level. This development was influenced by the weak preceding year, the positive economic trend and the revival in consumption. Classic online advertising recorded the largest growth rates (+34.8%), followed by television (+16.2%). Television can, however, continue to claim the highest gross sales volume for itself. In its report, Nielsen points out that the combined use of TV advertising and online advertising was considered as the optimal advertising mix by companies.

In its December 2010 report, the ZenithOptimedia media agency group expects a sustainable growth of the advertising industry. The German advertising market was able to complete 2010 with growth of 2.9%. In its October report, the agency group had forecast an increase of 2.4%, a figure that was actually exceeded by 0.5 percentage points.

The Deloitte “Media Democracy” report published at the beginning of February 2011, describes the triumphal progress of Smartphones and Tablet PCs. In 2010, the number of Smartphones in German households has doubled. The use of mobile terminals – according to the report – still lags behind the technical possibilities. It is assumed, however, that the further development will have a decisive effect on the entire media area. The increasing use of mobile terminals will also open up new possibilities for the advertising market. The Federal Association for Information Technology, Tele-communications and New Media (BITKOM) also reported in February on the mobile Internet boom. During the last year, among other things, 9.5 million mobile computers were sold in Germany (+16%).

The online advertising market grows

The Online Marketing Group (Online-Vermarkterkreis – OVK) published its Online Report 2011/01 at the beginning of March 2011. In it, the OVK reported growth in the online advertising market in Germany of 26% gross in 2010. In its calculation of the market data, besides classical online advertising, the OVK also takes into account search engine marketing und the affiliate networks. As a result, following the crisis year of 2009, the increase in growth was even greater than had been forecast in the Online Report 2010/02 – where it was predicted that growth would be 19%. The online share of the media mix is 19.2% and, for the first time, the Internet has overtaken newspapers (share 19.0%). The Internet is thus now the second strongest advertising media after television and has established itself as an indispensable component of an integral target group approach.

According to the OVK, the gross advertising volume of the affiliate networks grew by 10% in Germany last year. In the Sedo's Domain Market Study 2010, which was published at the beginning of February 2011, an increase of 40% in the volume of trade was reported. The number of domain sales in 2010 increased by 12% compared with the previous year.

2. Business Development

Sedo Holding AG is one of Europe's leading suppliers of performance-based online marketing solutions. In its operating business, the Sedo Holding AG is represented by its specialists: affilinet in the field of Affiliate Marketing, and by Sedo in the Domain Marketing sector.

Change of Company name and registered office

Following the completed reorganization of the Company in the areas of Affiliate Marketing and Domain Marketing in 2009, the Annual Shareholders' Meeting in May 2010 decided to change the Company's name from AdLINK Internet Media AG to Sedo Holding AG. Furthermore, it was decided to transfer the registered office of the Company from Montabaur to Cologne.

Employees

The Sedo Holding group had a total of 340 employees as of December 31, 2010. The number of employees at the end of the previous year was 318. This is growth of 6.9%. The number of the employees in Germany increased from 222 at the end of the previous year to 235 in 2010. The number of employees in the foreign companies increased from 96 to 105.

Within the two areas of business, there were 157 employees in Affiliate Marketing and 168 in Domain Marketing. As of December 31, 2010 there were 15 employees in the parent company. At the end of 2009 there were 133 employees in Affiliate Marketing, 155 in Domain Marketing and 30 in the parent company.

The personnel expenditure increased slight from EUR 17.9 million in the previous year to EUR 18.3 million (+2.2%).

Segment Development

In the 2010 fiscal year we registered a decline in sales revenues in our Affiliate and Domain Marketing segments, however, we were able to further extend our key network indicators such as partner programs and tradable domains and thus consolidate our market position.

Affiliate Marketing (affilinet)

affilinet is the specialist for Affiliate Marketing within the Sedo Holding Group. With offices in Germany, France, Great Britain, the Netherlands and Spain, affilinet operates one of Europe's leading Affiliate networks.

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

The sales volume in the Affiliate Marketing segment declined in the 2010 fiscal year by 17.3%, from EUR 88.1 million in the previous year to EUR 72.9 million. The main reason for the decline in turnover is the changed contractual relationship with one large customer in this segment. Without this effect, the sales volume increased by EUR 10.9 million compared with the 2009 fiscal year (+17.5%). Sales costs declined by 18.9% to EUR 60.8 million in the 2010 fiscal year compared to EUR 75.0 million in the previous year. The EBIT-like indicator Contribution (notes: 36. Segment reporting) amounted to EUR 1.3 million in the 2010 fiscal year, after it had been EUR 4.2 million in the previous year (-69.0%). The decline can be mainly explained by expansion of sales activities abroad.

In the full year of 2010, the number of partner programmes available could be increased by 17.4% from 1,840 at the end of 2009 to 2,160 as of December 31, 2010. The number of participating websites also increased compared with the same date last year, from around 495,000 to 499,000 (+0.8%).

In 2010 the business model of couponing made its breakthrough. With its own in 2009 specially developed couponing solution, affilinet provides its publishers and advertisers with an innovative tool for the preparation and integration of vouchers. This is effected via voucher codes which the advertiser produces for his product and the publisher integrates into his webpage. By means of the vouchers the incentive to buy is increased for the consumers, for example, products can be provided with a discount or a free gift may be offered with the purchase. The products offered are marketed even more attractively and the conversion rates are increased. For the publisher the improved marketing through vouchers means an increase in turnover, with which higher commissions are also associated.

Since October, affilinet has also been offering its advertisers re-targeting on a post-click and post-view basis. The re-targeting technology is a professional solution for the generation of higher sales and coverage. It registers Internet visitors who have already visited an online shop of an advertiser, but have not yet completed a purchase. These interested potential customers can now automatically be shown personalized advertising material on the webpages of selected re-targeting publishers. As a result, the success of advertising (conversion rate) can be significantly increased.

Since the end of 2010, with the Comparison Tables, affilinet has been offering German advertisers and publishers an innovative tool for target group and sales promotion-oriented advertising. The sector-specific product comparison tables offer a multitude of current product and service offerings from different advertisers at a glance. affilinet assumes responsibility for the preparation of the advertising material as well as the generation and up-dating of the publisher pool. As a result, the publishers have rapid and uncomplicated access to a powerful and always up-to-date advertising material. The affilinet Comparison Tables are initially available for a few selected business sectors, however, they will gradually be extended to cover other business sectors.

Domain Marketing (Sedo)

Sedo is the specialist for Domain Marketing within the Sedo Holding Group. With offices in Germany, Great Britain and the USA, as well as numerous international webpages, Sedo is active worldwide in more than 20 languages.

Sedo is the leading market place for the trade with domains. Sedo is also one of the leading companies in the performance-based area of Domain parking in which Sedo markets advertising on domain names. The service portfolio, furthermore, covers the areas of domain brokerage, domain transfer and domain appraisal.

In the Domain Marketing segment in the 2010 fiscal year a sales volume of EUR 43.1 million was registered. In the previous year, the sales volume was EUR 46.6 million and thus declined by 7.5%. The main reason for the fall in sales is the decline of 11.5% in Domain Parking. Domain Trading increased compared to 2009 by 12.1%. The sales costs declined from EUR 32.4 million in the previous year, by 6.2% to EUR 30.4 million in 2010. The Contribution (notes: 36. Segment reporting) in the 2010 fiscal year was EUR 4.0 million and declined by 44.4% compared with the previous year. Here the Contribution was still EUR 7.2 million. The main reason for the decline in the Contribution is an unscheduled valuation adjustment of the domain inventories for own trading amounting to EUR 2.7 million. This results from the examination of the domain inventories beyond the underlying write-downs, for the presence of signs which indicate a stronger decline in the net realisable value than was suggested by the underlying write-downs. To take this circumstance into account, the existing method for the marketability analysis was supplemented so that four times the sales revenues of the previous year (based on annualized figures) should cover the book values of the respective domain portfolios. In addition to the marketability analysis, the Company also examines the recurring maintenance costs, the so-called registration costs, with the objective of reducing them.

The number of domains tradable on the platform increased as of December 31, 2010 by 19.2% to 18.0 million compared with 15.1 million as of the same date in the previous year. In addition, around 6.5 million domains are available in the area of performance-based domain parking for marketing purposes. In the previous year the number of marketable domains amounted to 6.9 million and has thus declined by 5.8%. This decline results from the rearrangement of the parking statistics as of November and is associated with the JavaScript migration of the trading platform. The number of registered members increased by 20.0% to 1.2 million by the end of December 2010 (previous year: 1.0 million).

In April 2010, Sedo launched a new offer in the area of domain traffic marketing with SedoDNA (Sedo Domain Name Advertising). Advertisers can profit from the traffic of high-quality domains, which is made available by the owners for marketing purposes. As a result, Sedo creates a link between the owners of Internet addresses and the advertisers who are interested in target-oriented traffic. SedoDNA is a performance-based model tailored to advertisers, which permits all established advertising formats (e.g. banners, layers, videos) and advertising models (e.g. Pay-per-click, Pay-per-view).

The completely remodelled domain search was introduced at the end of August 2010. The basic function of the domain trading platform now provides even faster and more efficient results in the search for a desired domain. In this connection, new features like the automatic display of synonyms and synonymous terms, a higher relevance and quality ranking of the results as well as a preview of the offer details are made available. Via extended search criteria, e.g. the contemporaneous search of various top level domains, search for domains in categories, inclusion or exclusion of synonyms, language choice, watchlist and the search for the type of offer (fixed price, basis for negotiation, auction), suitable results are announced faster and more specifically.

By the end of October 2010, the domain trading platform was migrated to JavaScript. As a result, the technical prerequisite for improved marketing of the parked domains and the advertising offer is created. Advantages are produced in the verification of flows of visitors and the measured traffic is of a higher quality, since it is only a matter of real visitors – no such bots or scripts.

3. Innovation and product development

There is fierce competition in performance marketing and technological innovations occur at very short intervals. A central component of the corporate activity is, therefore, the intensive monitoring of the market and the competitors, as well as the evaluation of the technological possibilities. Nationally and internationally, the provision of new, innovative advertising products is a clear differentiating factor against the competition. The regular development of new tools and concepts as well as to make these available in a high technical quality is a key feature of the Sedo Holding Group.

As a leading European supplier of performance-based marketing solutions on the Internet, Sedo Holding has research and development which is organized on a decentralised basis. Both specialist business segments thereby work independently of each other on solutions which are optimally coordinated for the respective market. As a result, we are able to quickly and flexibly develop new ideas ready for the market and to react to trends. In addition, we make full use of synergies in the area of IT infrastructure and knowledge transfer, in order to be able to realize our development as economically as possible. Products already developed are continuously further developed and adapted to the market requirements by the teams.

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

More than 30 employees in the areas of development, product management and IT in Munich and Hanover guarantee the continuous further development and optimization of the platform. The programming is thereby provided almost exclusively by our own development department, which is supplemented selectively with external service providers, in order to implement projects rapidly and efficiently. Intensive market monitoring, own customer surveys and analyses provide the basis for new product ideas and technical innovations, always with the objective of operating a product development which is aligned with customer needs and the highest standards of reliability and availability.

Our specialist for Domain Marketing – Sedo – operates the leading trading platform worldwide for domain names. Customers from over 200 countries make use of the products of the market leader in 20 language and country-specific user interfaces. The basis for this is provided by the international domain market place developed by us over many years at www.sedo.com. The innovative marketing of the domains available for sale rounds off Sedo's portfolio.

Sedo employs over 20 employees in product development at the locations of Cologne and Boston, USA. The independent division of Sedo Research & Development advances product innovations in the cores areas of domain trading and domain marketing. The team, which is made up of business analysts, product managers and developers, ensures the delivery and continuous optimization of a product portfolio which is targeted at the requirements of our core markets. Development is thereby conducted almost exclusively within the company.

4. Result of Operations, Financial Result and Net Assets

Sales declined by 14.2% in 2010 to EUR 116.1 million, from EUR 135.3 million in the previous year. The main reason for the decline in sales is the changed contractual relationship with one large customer of Affiliate Marketing, which has been valid since the fourth quarter of 2009. Adjusted to allow for the sales of this large customer of EUR 26.1 million in 2009, sales increased by EUR 6.9 million (+6.3%). The sales figures also show a positive trend at the end of the year and increased in the fourth quarter of 2010 by 7.7% compared with the same period of the previous year. The Affiliate Marketing business contributed EUR 72.9 million to the sales and the Domain Marketing business EUR 43.1 million. The sales costs declined by 14.9% to EUR 91.2 million in 2010, after a figure of EUR 107.2 million in 2009. Gross profit was EUR 24.9 million, declining by 11.7% compared with 2009 (EUR 28.2 million). The gross margin improved in 2010 to 21.4% from 20.8% in 2009. This development resulted predominantly from the changed sales mix between the segments, as a result of which sales costs were reduced over-proportionately compared with sales.

Selling expenses increased by 53.9% from EUR 7.6 million in 2009 to EUR 11.7 million in 2010. In contrast, the administrative expenses in 2010 were EUR 8.9 million and in 2009 EUR 12.6 million (-29.4%). The reason for this development on the one hand is an audit of the main areas of activity of the departments conducted in the second quarter of 2010. As a result, the assignment of the costs was changed in the comprehensive income statement, leading to a shift from the administrative expenses to selling expenses. In addition, the sales costs increased due to the strengthening of our sales activities abroad. The other operating expenses declined by 6.4% from

EUR 4.7 million in the previous year to EUR 4.4 million. The other operational income declined from EUR 18.7 million in 2010 to EUR 4.3 million. The previous year's figures include revenues from the disposal of the shares of Goldbach Media AG und Hi-media S.A. to United Internet AG with a value of EUR 12.7 million. Adjusted to allow for this extraordinary effect, the other operational income of the previous year amounted to EUR 6.0 million and the current value declined by 28.3%. In this connection, among other things, the currency gains declined by EUR 0.4 million. The depreciations of capitalized assets within the scope of acquisitions amounted to EUR 1.1 million in 2010 and declined compared to the previous year's figure from EUR 1.9 million by 42.1%, after the deductions resulting from the acquisition of Sedo and affilinet ended in the first quarter of 2010. The goodwill amortization amounted to EUR 0.2 million in 2010 (previous year: EUR 0.0) and concern the goodwill from the initial consolidation of Intellectual Property Management Inc. The operating result declined due to the changes above from EUR 20.1 million in the previous year to EUR 2.9 million in 2010.

The result before interest, taxes, depreciations and amortizations, and decreases in value on domains (EBITDA), inclusive of the special effects in the previous year, declined from EUR 24.5 million to EUR 8.5 million in 2010 (-65.3%). Adjusted to allow for the special effects from the previous year, the EBITDA amounted to EUR 11.8 million in 2009, and thus declined in 2010 by 28.0%.

The interest and similar expenses declined in 2010 to EUR 0.3 million (previous year: EUR 1.1 million). The decline essentially results from the complete reduction of debt. The interest and similar income increased from EUR 0.2 million to EUR 0.6 million compared with the previous year. This development mainly arises from the vendor loan which was granted within the context of the sale of the Display Marketing business to Hi-media S.A. The other financial result in 2010 was EUR 0 (previous year: EUR 0.3 million). Previous year included dividend payments from Goldbach Media. The result for associated companies rose from EUR -0.3 million in the previous year to EUR 0.1 million in 2010. The result pre-tax (EBT) was EUR 19.3 million in 2009 and declined by 82.9% to EUR 3.3 million in 2010. The previous year's figures included positive one-off income resulting from the sale of the shares in Hi-media and Goldbach Media amounting to EUR 12.7 million. Adjusted to allow for special effects from the previous year, the EBT amounted to EUR 6.6 million in 2009 and thus declined by 50.0% in 2010. The main reason for the decline in the pre-tax result was unscheduled valuation adjustments to inventories in the domain trading area of EUR 2.7 million in the fourth quarter of 2010.

After new information on values became known, the consolidated accounts for the year of 2009 were retrospectively amended, whereby in retrospect taxation details were valued differently and, furthermore, a correction was made to the recording in the accounts of corporation tax and trade tax advance payments in the year 2009. This did led to higher income taxes of EUR 1.4 million, as well as to an improvement in the result after taxes of the discontinued operations of EUR 0.3 million. For further information please see the notes to the consolidated financial statement.

Compared to 2009 (adjusted EUR 5.4 million), income taxes declined to EUR 2.2 million (-59.3%). The tax quota in 2010 was thus 68.0%, following a figure of 28.2% in the previous year's period. The high tax quota resulted largely from the non-application of active deferred taxes on losses in the fiscal year as well as expenditures that were not tax-deductible. In 2010, the result from continued operations was EUR 1.0 million, after EUR 13.8 million (adjusted) in the previous year. The result after taxes of discontinued operations in 2010 was EUR 1.5 million, after being EUR 21.3 million (adjusted) in 2009. Whereas this in 2010, is mainly characterized by the writing-down of a liability as well as the adjustment of a provision, in the previous year's result included the gains on disposals from the sale of the Display Marketing business to the Hi-media Group of EUR 22.1 million.

Following a net income of EUR 35.2 million (adjusted) in 2009, in 2010 the figure was EUR 2.6 million. The other comprehensive income after taxes, in which profits and losses from the annual accounts of subsidiaries which do not prepare their accounts in Euro, are included in the Company currency, amounted to EUR -0.6 million in 2009 and EUR 0.2 million in 2010. The total comprehensive income after taxes for 2010 was EUR 2.8 million and for 2009 EUR 34.5 million (adjusted).

The earnings per share for 2010 were EUR 0.08 and for the previous year EUR 1.32 (adjusted). Earnings per share of EUR 0.03 in 2010 and EUR 0.52 (adjusted) in 2009 were registered from continued operations. Adjusted to allow for the positive one-off effects of the sale of shares to Hi-Media and Goldbach Media to United Internet Beteiligungen GmbH, the previous year's result per share from continued operations was EUR 0.03.

Cash-flow

The operative cash-flow from continued operations increased slightly by 5.6% compared to the previous year, from EUR 5.4 million (adjusted) to EUR 5.7 million.

The operative cash-flow of continued operations declined from EUR 8.3 million in the previous year to EUR 1.7 million in 2010. This results essentially from the gain of the balance arising from trade receivables and payables as well as from reductions in the tax provisions as a result of tax payments made. These increased from EUR 3.1 million in 2009 to EUR 5.0 million in 2010.

The net financial requirements in the area of investment in the areas of continued operations amounted to EUR -0.7 million in 2010 (previous year: EUR 38.5 million). It is largely attributable to replacement and extension investments for office and server technology as well as investments in rented objects and mainly concerns the area of Affiliate Marketing. The previous year's figure contains EUR 45.1 million from the disposal of the shares in Hi-media as well as Goldbach Media. In contrast, there were payments for the acquisition of the remaining shares in Sedo GmbH amounting to EUR 5.5 million in previous year.

The net payments in the financing area of continued operations amounted to EUR -1.4 million in 2010 (previous year: EUR -43.8 million). In the previous year the deposits explained above were used for the reduction of the financial liabilities towards associated companies as well as banks. In 2010 the rest of short-term bank loans amounting to EUR 1.4 million were repaid.

The cash and cash equivalents at the end of the period under report amounted to EUR 6.3 million in 2010 and have declined by 3.1% compared with the previous year (EUR 6.5 million).

Balance sheet

Current assets increased as of December 31, 2010, by 41.9% to EUR 38.3 million compared with EUR 27.0 million (adjusted) on the same date of the previous year. The increase resulted largely from the reclassification of the vendor's loan which was granted to Hi-media S.A., from the non-current financial assets into the other current financial assets. The cash and cash equivalents, thereby decreased by 3.1% to EUR 6.3 million (previous year: EUR 6.5 million). The trade accounts receivable increased in 2010 to EUR 14.6 million, after EUR 11.7 million in 2009 (+24.8%). The inventories which consist exclusively a trade inventory of acquired domains, declined largely due to unscheduled valuation adjustments from EUR 5.6 million in 2009 by 57.1% to EUR 2.4 million in 2010. The other financial assets increased as a result of the reclassification of the vendor's loan in 2010 from EUR 2.6 million (adjusted) in the previous year to EUR 14.3 million.

The non-current assets declined due to the previously-described reclassification as of the balance sheet date of December 31, 2010 by 13.4% from EUR 93.9 million on the previous year's balance sheet date to EUR 81.3 million. The share in associated companies rose from EUR 0.9 million in 2009 to EUR 1.0 million in 2010 (+11.1%). The intangible assets (excluding goodwill) declined by 43.3% from EUR 3.0 million in the previous year to EUR 1.7 million in 2010. The decline results from the scheduled depreciation on these values which, among others, concern acquired clientele. The goodwill has not changed as of December 31, 2010 compared with the previous year and amounts to EUR 75.6 million.

The current liabilities declined by 13.0% to December 31, 2010, from EUR 30.1 million (adjusted) in 2009 to EUR 26.2 million. The trade accounts payable increased from EUR 17.1 million in 2009 to EUR 17.9 million in 2010 (+4.7%). After the debt had already been totally repaid in the previous year, the liabilities to banks could be reduced from EUR 1.4 million in 2009 to EUR 0. The provisions for tax liabilities declined by 15.6% from EUR 3.2 million (adjusted) in the previous year to EUR 2.7 million. The other provisions declined by 54.5% from EUR 2.2 million to EUR 1.0 million in 2010. This decline essentially resulted from the adjustment of a provision for losses from on-going contracts based on a new estimate by management. The reduction in the other current liabilities of 29.5% from EUR 6.1 million in 2009 to EUR 4.3 million in 2010 largely resulted from the lower liabilities towards the tax authorities as well as the absence of a negative contractual obligation amounting to EUR 1.6 million, which was accounted in the 2009 fiscal year. In the second quarter of 2010 a renegotiation of these contracts could be successfully concluded, as a result of which this item could be recognized as income.

The long-term liabilities mainly consist of latent tax liabilities and as of December 31, 2010, amounted EUR 0.3 million, after EUR 0.7 million on the same date in the previous year (-57.1%). The total of liabilities declined by 14.0% from EUR 30.8 million (adjusted) to EUR 26.5 million in 2010.

The total equity as of December 31, 2010 amounted to EUR 93.0 million and increased by 3.2% compared to the previous year's figure (EUR 90.1 million adjusted). The capital stock has not changed compared with 2009 and amounted to EUR 30.5 million. Due to the withdrawal in settlement of the accumulated loss brought forward from the previous year, the capital reserve of Sedo Holding AG declined from EUR 74.4 million in 2009 to EUR 38.8 million (-47.8%).

The equity ratio increased from 74.5% (adjusted) on December 31, 2009, to 77.8% in 2010.

The total assets declined by 1.1% to EUR 119.6 million as of December 31, 2010 compared to EUR 120.9 million (adjusted) the previous year.

Annual financial statements acc. to HGB

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

In the 2010 fiscal year, the sales revenues of Sedo Holding amounted to EUR 2.8 million compared with EUR 10.7 million the previous year (-73.8%). The sales revenues consist of EUR 1.5 million (previous year: EUR 8.5 million) from services which Sedo Holding has rendered for its subsidiaries. This essentially refers to administrative services in the areas of finance, law, personnel and management. In addition, in 2010 sales revenues were generated with third parties amounting to EUR 1.3 million (previous year: EUR 2.2 million). These are services which Sedo Holding has rendered for its former subsidiaries from the Display Marketing business which was disposed of in 2009. In the previous year, apart from the services, sales were also generated through licence agreements and through the charging of campaign costs. The sales to third parties in 2009 largely arose from an international advertising campaign. As a result of the disposal of the display marketing business, the sales revenues and simultaneously the expenditure for services of Sedo Holding have declined. This development was countered through a reduction in the number of employees and the other costs.

The other operative income amounted to EUR 2.5 million in 2010, compared with EUR 0.6 million in 2009. This concerns the dissolution of a provision for an ongoing contract in addition to the adjustment of a provision, both in connection with the disposal of the Display Marketing business (EUR 2.3 million), as well as income from currency valuations of EUR 0.2 million. Income from currency valuations amounting to EUR 0.4 million were contained in the other operational income of the previous year.

The cost of materials declined from EUR 6.5 million in 2009 to EUR 1.6 million in the 2010 fiscal year. Thus this declined analogous to the sales revenues and is largely accounted for by the disposal of the display marketing business. The personnel expenditure declined in line with the business trend from EUR 3.5 million in the previous year to EUR 1.2 million in 2010. In the 2010 fiscal year on average there were 13 employees (previous year: 35 employees). The depreciations declined to EUR 0.3 million (previous year: EUR 0.5 million).

The other operating expenses declined from EUR 7.9 million in 2009 to EUR 2.0 million in the 2010 fiscal year. Essentially in 2010, these consist of legal, consulting and auditing costs (EUR 1.1 million) and IT services (EUR 0.4 million). In 2009, in addition to legal, consulting and auditing costs (EUR 2.4 million) and IT services (EUR 0.5 million), provisions for risks from ongoing contracts amounting to EUR 3.1 million were also included.

The income from participations and profit-transfer agreements amounted to EUR 9.2 million in 2010 compared with EUR 37.2 million in 2009. The income from profit-transfer agreements arise from the transfer of profits of affilinet GmbH amounting to EUR 3.3 million (previous year: EUR 5.6 million) and of Response Republic Beteiligungsgesellschaft Deutschland GmbH amounting to EUR 5.9 million (previous year: EUR 10.3 million). In addition, in 2009 there was income from investments amounting to EUR 21.4 million, which resulted from dividend payments as well as from the revenues from the sale of the Display Marketing segment to Hi-media S.A and the sale of the Hi-media shares received and the shares in Goldbach Media AG to United Internet Beteiligungen GmbH.

The income from other securities and loans of the financial assets amounted to EUR 1.5 million in 2010 and thus remained practically unchanged in comparison with the previous year (EUR 1.6 million). They result from the interest on the loans made to subsidiary companies as well as the vendor loan granted to Hi-media. Other interest and similar income in 2010 amounted to EUR 0.3 million and essentially result from the accrual of interest on the cash pool balances, as well as other receivables within the group. The interest and similar expenses declined from EUR 1.4 million – due to the complete reduction of debt – to EUR 0.4 million.

The result from ordinary activities in the 2010 fiscal year was EUR 10.9 million, after EUR 46.7 million in 2009. The taxes on income amounted to EUR 3.2 million in the 2010 fiscal year, following a figure of EUR 2.9 million in the previous year. Of this total, EUR 2.6 million relate to the result of ordinary activity; EUR 0.6 million represent expenditure unrelated to the accounting period. These resulted, in particular, from the adjustment to the tax liabilities from previous years. Net income declined from EUR 43.8 million to EUR 7.7 million in 2010.

A net loss for the year of EUR 0 is reported in the 2010 fiscal year. The accumulated loss brought forward from the previous year of EUR 43.6 million will be balanced by the annual surplus of EUR 7.7 million and by a withdrawal from the investment reserve amounting to EUR 35.9 million.

The balance sheet total changed only insignificantly compared with the previous year from EUR 118.0 million to EUR 118.3 million on December 31, 2010.

The fixed assets decline from EUR 98.1 million in the previous year to EUR 96.9 million at the end of 2010. The shares in associated companies thereby remained unchanged within the financial assets compared with the previous year. The loans to associated companies declined from EUR 35.3 million in the previous year to EUR 34.3 million. This results from the complete repatriation of a credit line which was granted to affilinet GmbH. There is no change in the other loans compared with the previous year.

Trade accounts receivable and other assets increased to EUR 15.3 million as of December 31, 2010 (previous year: EUR 14.8 million). The trade receivables thereby declined from EUR 1.0 million in 2009 to EUR 0.5 million. The receivables from associated companies, which mainly result from supply and service relations, cost allocations, profit-transfer agreements, as well as the cash pool, increased from EUR 10.7 million in the previous year to EUR 13.4 million. The other assets declined from EUR 3.0 million to EUR 1.5 million in 2010, which was largely accounted by the decline in advance tax payments. The cash balance and the cash balances at banks increased, in contrast, from EUR 5.0 million in the previous year to EUR 6.1 million in 2010.

The equity increased compared with the previous year, from EUR 89.0 million in 2009 to EUR 96.7 million. The increase results from the annual surplus generated of EUR 7.7 million. The equity ratio as of December 31, 2010 was 81.7% compared with 75.4% at the end of the previous year.

The provisions for tax liabilities declined from EUR 3.9 million in the previous year to EUR 2.7 million in 2010. This was largely due to payments of trade tax resulting from the audit. The other provisions declined from EUR 3.8 million to EUR 1.3 million in 2010. These essentially consist of deferred risks from ongoing contracts amounting to EUR 0.7 million compared with EUR 3.1 million in the previous year. The decline results from the dissolution of a provision due to an advantageous amendment to a contract as well as the adjustment of another provision based on a new estimate by management in connection with the disposal of the Display Marketing business in the previous year.

Total liabilities were reduced compared with the previous year from EUR 21.4 million to EUR 17.7 million. Liabilities due to banks were completely reduced (previous year: EUR 1.4 million). Trade accounts payable declined from EUR 0.9 million in the previous year to EUR 0.2 million in 2010, which resulted from the decline in the business development through focusing on the pure holding functions. The liabilities towards associated companies declined from EUR 19.0 million in the previous year to EUR 17.5 million.

5. Explanation of Disclosures acc. to Sections 289 (4), 315 (4) HGB

The Company's capital stock amounts to EUR 30,455,890.00. It is divided into 30,455,890 registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 per share. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. There are no other share categories.

Limitations which apply to the shares

On September 29, 2009, and with the approval of the Supervisory Board of the same day, the Management Board of Sedo Holding AG resolved to increase capital from Authorized Capital by a total of EUR 4,250,000.00, from EUR 26,205,890.00 to EUR 30,455,890.00, by means of non-cash contribution through the issue of 4,250,000 new, registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 per share ("New Shares"). The non-cash contribution was in the form of shares in Sedo GmbH, Cologne, Germany. The capital increase 2009 was concluded on November 20, 2009 and entered in the Commercial Register. Due to contractually agreed vesting periods, the New Shares may not be traded for a specific time. They are therefore not initially released for stock exchange trading. Sedo Holding AG intends to apply for admission of the new shares in stages, as follows: half of the new shares, i.e. 2,125,000 units, are to be admitted for trading from October 2011 and the remaining new shares, i.e. the other 2,125,000 units, are to be admitted for trading from October 2013.

Direct Participation in the Capital

As of December 31, 2010, United Internet AG, Montabaur, according to the information of the Company, directly and indirectly via United Internet Beteiligungen GmbH, Montabaur, held 23,997,518 no-par value shares or 78.79% of the shares of Sedo Holding AG.

Appointment and Dismissal of Members of the Management Board, Amendments to the Company's Articles

The appointment and dismissal of members of the Management Board is regulated by Sections 84, 85 of the German Stock Corporation Act (AktG), I. 4. of the rules of procedure for the Supervisory Board and Section 6 (1) of the Company's Articles. The Supervisory Board appoints the members of the Management Board for a period of no more than five years. The Supervisory Board can revoke the appointment of a Management Board member and the appointment as Chairman of the Management Board for important grounds. The Management Board consists of one or more persons, whereby the number is determined by the Supervisory Board. The Supervisory Board may appoint a member of the Management Board as chairman. Deputy members of the Management Board may also be appointed.

Every amendment to the Company's Articles requires a resolution of the Annual Shareholders' Meeting. The resolution of the Annual Shareholders' Meeting requires a majority of at least three-quarters of capital stock represented at the time of adoption. The Supervisory Board is authorized to make amendments to the articles insofar as they only affect the form.

Powers of the Management Board to issue shares

The Management Board is authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before May 18, 2015 by a total of EUR 15,200,000.00 by issuing up to 15,200,000 new no-par shares for cash or non-cash contributions (Authorized Capital 2010).

In the event of an increase of capital the shareholders shall be granted a right to subscribe.

The Management Board is, however, authorized, with the approval of the Supervisory Board, to exclude residual amounts from the subscription rights of the shareholders and also to exclude the subscription rights of the shareholders, insofar as this is necessary in order to be able to grant the bearers of options or rights of conversion to shares in the company a right to subscribe to the new shares on a scale in accordance with the exercise of their rights or fulfillment of their conversion rights.

In addition, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders, if the shares are issued for cash and the issue price of the new shares does not fall significantly below the stock market price for shares of the company with the same structure and, the shares issued in accordance with Section 186 (3), Sentence 4 AktG, do not exceed ten percent of the share capital. Under this limitation, shares should be taken into account which on the basis of other authorizations in direct or corresponding application of Section 186 (3) Sentence 4 AktG have been sold or issued under the exclusion of subscription rights.

Furthermore, the Management Board, with the approval of the Supervisory Board, is authorized to exclude the subscription rights, insofar as new shares should be issued in return for non-cash contributions and the exclusion of subscription rights is in the interest of the company.

The Management Board is also authorized, with approval of the Supervisory Board, to define the further details of the increase in capital, the further contents of the share rights and the conditions of the issue of shares.

The Supervisory Board is authorized, to redefine Section 5 of these rules in accordance with the implementation of the increase in share capital or after expiry of this authorization period.

Capital stock may also be increased conditionally by up to EUR 1,044,010.00, divided into up to 1,044,010 no-par value shares (Conditional Capital 2004). The conditional capital increase is earmarked for conversion options to be granted to the bearers of convertible bonds. The Annual Shareholders' Meeting of May 17, 2004, authorized the Management Board or Supervisory Board to issue such convertible bonds. It will only be implemented to the extent that these conversion options are exercised and providing the Company does not service the conversion options from its stock of treasury shares. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to the members of the Management Board, the Supervisory Board is authorized and, with regard to the other persons entitled to convertible bonds, the Company’s Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

Capital stock may be increased conditionally by up to EUR 14,100,000.00, divided into up to 14,100,000 no-par value shares (Conditional Capital 2010). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 19, 2010 authorized the Company or a subordinated Group company to issue up to May 18, 2015, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the Company’s stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the Company’s stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company’s Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

The Supervisory Board is authorized, to revise Section 5 of the articles in accordance with the respective exercising of the conversion rights and in accordance with the respective utilization of the conditional capital.

Powers of the Management Board to buy back shares

At the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized, in accordance with Section 71 (1) No, 8 AktG, up to May 19, 2015, to acquire treasury shares with a value of up to ten percent of its capital stock. The authorization may be exercised by the Company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, also be exercised by dependent or majority-owned associates of the Company or by third parties for the Company’s or their own account. The acquired shares may not, in combination with other shares owned by or in the possession of the Company or to be attributed to the Company pursuant to Sections 71 a et seq. German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock. The authorization may not be used for the purposes of trading with Company shares.

The acquisition of the treasury shares can be effected in all legally permitted ways, in particular, through the repurchase via the stock market and/or by means of a public offer to buy.

In the case of acquisition via the stock market, the countervalue for the acquisition of treasury shares (excluding additional acquisition costs) may not be more than ten percent below or above the stock market price.

In the case of acquisition of own shares via a public offer to buy, the company can publish a formal offer or publicly invite the submission of offers, and thereby provide cash payment or the assignment of liquid shares in return respectively.

The exclusion or the restriction of the tender of delivery right of the shareholders requires a resolution of the Management Board and the approval of the Supervisory Board.

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these acquired shares and others previously acquired for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders, if the treasury shares are sold for cash compensation which is not significantly lower than the share price for the same type of Company shares at the time of such sale, or for non-cash compensation whose value is not generally regarded as inappropriately low (in each case excluding transaction costs). This authorization is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Section 186 (3) Sentence 4 German Stock Corporation Act (AktG).

Moreover, the Management Board is authorized to use the shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other Company employees, as well as to executives and employees of affiliated companies pursuant to Sections 15 et seq. German Stock Corporation Act (AktG), should such persons be entitled to subscription on the basis of employee stock ownership plans. Insofar as treasury shares are to be transferred to members of the Company's Management Board, the decision shall be incumbent upon the Company's Supervisory Board.

The Management Board is further authorized to use the shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, to fulfill conversion and warrant rights or conversion obligations resulting from convertible or warrant bonds issued by the Company or dependent or majority-owned corporations.

The Management Board is also authorized to retire and cancel the treasury shares acquired on the basis of this authorization, as well as previously acquired treasury shares, subject to the approval of the Supervisory Board, without such cancellation requiring an additional resolution by the Annual Shareholders' Meeting. The Supervisory Board is authorized to adapt Section 5 of the Company's articles in accordance with the respective use of the authorization to retire shares.

The right of shareholders to subscribe to treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

The afore-mentioned authorities came into force on May 20, 2010 and remain valid until May 19, 2015.

6. SUBSEQUENT EVENTS

There were no major events subsequent to the reporting period which had a significant impact on the business development of the Sedo Holding Group.

7. Risk Report

The objective of risk management is to deal systematically with potential risks as well as to promote risk-oriented thinking and action throughout the entire organization. The controlled approach to risks aims to utilize existing opportunities to the full and to enhance the company's success. The concept, organization and task of Enterprise Risk Management were defined by the Management Board of Sedo Holding AG and documented as part of a risk manual available to all members of the Group. These requirements are regularly compared with the changing legal conditions and adapted or further developed as required.

As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with a clear allocation of responsibilities. We use Enterprise Risk Management not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a significant negative impact on the Group's net assets, financial situation and results of operations. In the 2010 fiscal year we once again conducted a company-wide risk audit.

Risk scenarios were evaluated with regard to the possible negative impact on the respective company's earnings before taxes and the probability of such damage. Wherever sensible, risk-limiting measures were defined for identified significant potential risks. Early warning indicators with if possible pre-determined threshold values were allocated to risks as part of a proactive monitoring system. The current risk status is communicated to the Management Board on a quarterly basis and by it to the Supervisory Board. The emergence of unexpected risks or significant changes in the risk situation trigger an ad-hoc reporting obligation and the respective risk is communicated immediately to the Management Board, and where necessary by it to the Supervisory Board.

The main risks and uncertainties of the Sedo Holding Group are presented in detail below:

Market and business trend

Apart from the German market, the Sedo Holding Group also operates in a number of other countries and is subject to the economic development of these sub-markets. The respective economic developments influence consumer behavior and, as a result, the expenditure of potential advertisers and thus the size of the total market in which the Sedo Holding Group is operating. In 2010 the economic situation in several of these countries continued to be strained. Insolvencies among our business partners and defaults on payments associated with them are possible. The Group's further market development is uncertain in view of the amount of the online advertising budgets of our customers, which may have a significant impact on its net assets, financial position and results of operations. We counter this risk through intensive market monitoring and active claims management, in order to be able to respond as quickly as possible to negative developments.

Competition

There is intense competition from both national and international companies operating in the field of performance marketing. They attempt to strengthen and further extend their market positions. The entry of new competitors may further increase the intensity of competition. Sedo Holding AG can only influence these factors to a very limited extent. Such competition could lead to a deterioration of our net assets, financial situation and results of operations, as advertisers and domain owners have a wide range of platforms and networks at their disposal.

The Sedo Holding Group strengthens the ties to its customers and partners by means of active customer management and a high service level as well as the provision of new and innovative advertising products and services, also on an international level, in order to expand its own domestic and international market position.

Product development

On the markets for performance marketing solutions on the Internet, technological innovations are introduced at short intervals. For example, new tools and concepts are constantly being developed which must be made technically available and integrated into the product portfolio. If we do not use this technological progress, or use it only insufficiently, other operators might achieve better product quality, services or processes than ours. This could weaken our competitive standing, as we would not be able to supply customers with the desired products, or at least not with the desired quality.

As a consequence, we might lose important advertising customers and thus revenue and earnings. The Sedo Holding Group takes action to counter this risk by closely monitoring the market and competitors, by evaluating technological possibilities, by entering into cooperations and by driving our own developments.

Coverage

A key differentiating factor of the Sedo Holding Group is our portfolio of high-quality and highly frequented websites and domains which are used for marketing purposes. Should the Sedo Holding Group lose many of these important websites and domains, or not have enough high-coverage advertising sites in its portfolio and were it to be unable to adequately replace them, we could become less attractive for advertisers. Should the company suffer a loss of revenue as a result of this, it could lead to a deterioration in our net assets, financial situation and results of operations. We counter this risk by providing active partner and customer support, continually improving service quality, regular improvements in our service quality, the expansion of our international organization and maximizing the revenue potential of our network and domains.

Dependency on customers/business partners

Future budgets of advertisers cannot be precisely predicted nor can they be influenced by Sedo Holding Group. In the case of both affilinet and Sedo, a significant proportion of revenue is often generated with a few major business partners. Should these partners reduce or terminate their business relations with us, this could lead to a serious deterioration of our net assets, financial situation and results of operations. The Sedo Holding Group reduces this risk by employing experienced key account managers, maintaining long-term and close relations with these business partners, expanding our customer base and providing a convincing range of products and services.

Pressure on prices/margins

The current fierce competitive situation increases the pressure on margins and prices. The Sedo Holding Group has today positioned itself as a European online specialist with an innovative product portfolio, state-of-the-art technologies and special services for its customers and partners. Due to the current competitive situation in certain countries, the Sedo Holding Group might decide to take preemptive action or react by reducing prices/margins in these countries. Such falling prices and/or margins could in future result in a deterioration of our net assets, financial situation and results of operations.

In order to counter this risk, the Sedo Holding Group offers innovative additional services and new high-margin products.

Currency risks

Independent subsidiaries of Sedo Holding AG are commercially operating in Great Britain and the USA. The currency risks of the company result from inter-company financing measures and operating activity. This can have an effect influence on our net assets, financial situation and results of operations. Currently the risk is classified as insignificant.

Other financial obligations

Sedo Holding AG has granted Hi-media Group a vendor loan for the cash component for the purchase of the Display Marketing area in 2009 at a standard market interest rate. This vendor loan is due in cash by June 30, 2011 at the latest.

Liquidity

As of the due date, Sedo Holding AG reported no liabilities to banks. On the basis of current information, the liquidity of Sedo Holding AG can be regarded as secure and is sufficient to be able to meet all future payment obligations.

Goodwill

For the cash-generating unit “affilinet France” the recoverable amount exceeds the carrying value only insignificantly, so that a negative change to one of the essential assumptions made would lead to an impairment loss. For the cash-generating unit “Sedo sub-group” the carrying value is exceeded a little more significantly by the recoverable amount. Significant deviations from the assumptions made could, however, also lead here to an impairment loss. At present, the management classifies the risk as low, however.

Protected rights

The legislation and jurisdiction of most countries in which the Sedo Holding Group operates are continually developing with regard to the protection of trademarks and responsibility for content on the online market. Despite the resulting increase in clarity with respect to the rights and obligations of all market players, there may still be uncertainties in these areas. The possibility cannot be ruled out that certain market players may attempt to make use these uncertainties to their advantage. The Sedo Holding Group counters this risk by swiftly implementing new legal requirements and seeking regular advice from experts in these areas of law.

Personnel

Important factors contributing to the successful operation of the Sedo Holding Group are the skills and market know-how of its employees. There is fierce competition for qualified and motivated specialists and management personnel with relevant experience in the sector. High staff turnover or the loss of key personnel could have an adverse impact on the Sedo Holding Group. Up to now, we have always succeeded in quickly compensating for the loss of key personnel. We counter such risks by pursuing an active personnel development strategy.

Qualitative information pertaining to the overall level of risk

The major risks to the company's present and future net assets, financial situation and results of operations are concentrated not only on the market development, but also in the areas of competition, payment risks, dependencies on customers and partners, and product development. Personnel risks continue to be limited to individual company units which require highly specialized knowledge which is only available to a limited extent on the labor market. Our risk management culture enables us to proactively counter such risks and limit them to a minimum. We judge the probability of such adverse developments as moderate. There were no risks which directly jeopardized the continued existence of Sedo Holding AG in the 2010 fiscal year, neither from individual risks nor from the overall risk situation.

Annual audit of the risk early warning system acc. to Section 317 (4) HGB

Within the scope of the annual audit, the auditors assess not only the installation, but also the possible functionality of the risk early warning system installed by Sedo Holding AG. For 2010, the fulfillment of the legal requirements by our risk early warning system was confirmed by the auditors.

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

Sedo Holding AG regards risk management as an integral part of its internal control system, which is based on the internationally recognized COSO framework ("Internal Control – Integrated Framework") as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Internal Audit division is responsible for independently auditing the functionality of the internal control system. In order to fulfill its duties, Internal Audit has been granted extensive rights with regard to information, inspection and access.

Risk assessment

Sedo Holding AG regards risk management as a measure to identify and assess risks and to reduce them to an acceptable level, as well as monitoring recognized risks. A risk management system requires organized action to adequately deal with uncertainty and threats and urges employees to utilize the regulations and instruments required to implement the risk management principles.

The risk management system of Sedo Holding AG is a system with which risks can be identified and assessed, especially those business transactions which may represent a threat to the Company's existence. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions, especially if they are time-critical and toward year-end. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The Internal Audit division of Sedo Holding AG ensures the functionality and effectiveness of the risk management system by means of regular audits as part of its monitoring duties.

Description of the internal control system

The accounting-related internal control system of Sedo Holding AG comprises all principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that all legal regulations are observed.

Clearly defined internal controls are embedded into the accounting process with regard to risk aspects. The accounting-related internal control system comprises both preventive and investigative controls, including IT-aided and manual coordination, the separation of functions, the "four-eye principle", general IT controls, e.g. access rights to IT systems, or change management and its monitoring.

With the aid of organizational, control and monitoring structures defined by Sedo Holding AG, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly. The accounting-related internal control system described above is also complemented by so-called Entity Level Controls from the highest executive bodies.

Due to their very nature, the discretionary decisions of individuals, faulty controls, criminal acts, or other such circumstances cannot be fully excluded and can thus restrict the effectiveness and reliability of the internal control and risk management systems. As a result, even the group-wide application of the systems used cannot guarantee absolute security with regard to the correct, complete and timely recognition of events in corporate accounting.

The statements made refer solely to the subsidiaries included in the consolidated annual financial statements of Sedo Holding AG, for which Sedo Holding AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

8. Declaration on Corporate Governance acc. to Section 289a German Commercial Code (HGB)

Listed companies are required to publish a declaration on corporate management once per year. This declaration should include the declaration according to the

Corporate Governance Code, relevant details of corporate management practices which go beyond the legal requirements and a description of the operations of Management Board and Supervisory Board.

With regard to the recommendations of the “Government Commission on the German Corporate Governance Code”, listed companies are required to publish a declaration of conformity once a year.

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

In March 2011, the Management Board and Supervisory Board of Sedo Holding AG submitted their current annual declaration of conformity in accordance with Section 161 AktG and published it on www.sedoholding.com, Investors, Corporate Governance as well as in the electronic Federal Gazette.

Declaration of conformity by Sedo Holding AG with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)

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

Sedo Holding AG complied with the recommendations of the German Corporate Governance Code (in the version dated Mai 26, 2010) with the following exceptions, and expects to comply in future with the following exceptions:

Deductibles in the case of D&O insurance policies (Code section 3.8)

Since the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into power, the German Stock Corporation Act (AktG) now requires that Management Board members accept an obligatory deductible for D&O insurance policies of at least 10% of the loss and up to at least one-and-a-half times the fixed annual compensation of the respective Management Board member (Sec. 93 AktG). Deductibles need not be agreed, however, for Supervisory Board members (Sec. 116 AktG). Beyond the scope of the AktG, the German Corporate Governance Code recommends that a similar deductible be agreed for the Supervisory Board in any D&O policy.

Sedo Holding AG has fully adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed its first deductible for members of the Management Board. No deductible was agreed for the Supervisory Board. Sedo Holding does not generally believe that the motivation and responsibility with which the members of Sedo Holding’s Supervisory Board conduct their duties will be affected by such a deductible.

Committees (Code section 5.3)

The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. In addition, the German Corporate Governance Code recommends that the Supervisory Board form a Nomination Committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the Annual Shareholders' Meeting.

The Supervisory Board of Sedo Holding AG currently consists of three members: in addition to their other duties, the members also deal as a group with the above-mentioned topics. The Supervisory Board’s rules of procedure state that committees should only be formed if there are more than three members.

Composition of the Supervisory Board (Code section 5.4.1)

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives of the Supervisory Board and the status of their implementation shall be published in the Corporate Governance Report.

The current members of the Supervisory Board have been elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2011. As specific candidate proposals for the Supervisory Board do not have to be made until its scheduled re-election at the Annual Shareholders' Meeting in 2012, it does not appear appropriate to already formulate concrete objectives today without knowing the possible changes in the regulatory environment or the Company’s market conditions. The Supervisory Board will carefully monitor developments and make a timely decision before the scheduled re-election of the Supervisory Board regarding the Code’s recommendations on concrete objectives and their implementation as part of the Supervisory Board’s proposals to the Annual Shareholders' Meeting and reporting.

Compensation of Supervisory Board members (Code section 5.4.6)

The German Corporate Governance Code recommends that the compensation of Supervisory Board members should also take into account the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership of committees.

As long as the Supervisory Board consists of no more than three members and no committees are formed, Sedo Holding only separately considers the Chair position in the Supervisory Board.

Publication of reports (Code section 7.1.2)

The German Corporate Governance Code recommends that interim reports are to be made publicly accessible within 45 days of the end of the reporting period.

As already announced in its Financial Calendar 2010, Sedo Holding AG did not publish its interim report for the first six months of 2010 until August 26, 2010 for organizational, internal reasons.

Corporate Governance practices

The management of Sedo Holding AG acts in accordance with the legal and statutory requirements and the recommendations and suggestions of the German Corporate Governance Code. The recommendations of the Government Commission on the Corporate Governance Code are made available in the official part of the electronic Federal Gazette. The Management is committed to serving the best interests of the Company.

Description of Management Board and Supervisory Board procedures

In accordance with its legal status, Sedo Holding AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The Management Board and the Supervisory Board conduct their activities according to the German Stock Corporation Act, the Company's articles of incorporation and the respective rules of procedure. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

The Supervisory Board advises and monitors the Management Board regularly in connection with the management of the Company. The Supervisory Board maintains regular contacts with the Management Board, in particular, with its Chairman, and discusses with him the strategy, the business development and the risk management of the Company.

The Supervisory Board of Sedo Holding AG consists of three members who are elected by the Annual Shareholders' Meeting. The members of the Supervisory Board are generally elected for a period of five years. For nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board is composed of members who have the required knowledge, abilities and expert experience to properly complete their tasks and are sufficiently independent. Members of the Supervisory Board must not be older than 70. The Supervisory Board shall elect a Chairman and his Deputy for the term of office. The Supervisory Board has set itself rules of procedure and acts in accordance with these rules, as well as with legal provisions and the Company's articles. The Supervisory Board regularly examines the efficiency of its activities. The Annual Shareholders' Meeting is responsible for setting the remuneration of Supervisory Board members.

A Supervisory Board meeting is held at least once per quarter. A total of six Supervisory Board meetings were held in the 2010 fiscal year. The meetings of the Supervisory Board are convened by the Chairman. The agenda and resolutions for adoption are transmitted when each meeting is convened. The Supervisory Board is quorate if all members have been invited in an orderly manner and half the members, but at least three, are present for the adoption of resolutions. The meetings are chaired by the Chairman. Resolutions of the Supervisory Board are adopted with a simple majority, unless otherwise prescribed by law. Minutes are taken of the discussions and the decisions of the Supervisory Board.

Should the Supervisory Board consist of more than three members, it may form committees. The number of Supervisory Board members is currently three; no committees have been formed.

The Chairman of the Supervisory Board explains the activities of the Supervisory Board at the Annual Shareholders' Meeting. In his report to the Annual Shareholders' Meeting, the Chairman provides information about any conflicts of interests which have arisen for Supervisory Board members and their resolution. The Supervisory Board Report is published in the Annual Report of Sedo Holding AG and on the Company's website.

The Management Board consists of three members. The Supervisory Board appoints and dismisses the members of the Management Board and decides on their number. The maximum possible term is five years. The age limit for members of the Management Board is 70. The Supervisory Board issues rules of procedure for the Management Board together with a catalogue of transactions requiring its approval. The Supervisory Board appoints one member of the Management Board as its Chairman. The Supervisory Board determines the remuneration of the Management Board and consists of fixed and variable components. In the Notes to the Consolidated Financial Statements, the remuneration is listed in detail according to fixed sum, performance-related components and components with a long-term incentive effect.

The Management Board represents the Company in and out of court. It manages the Company's business according to standard objectives, plans and guidelines. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure. Where necessary, the Management Board requests the approval of the Supervisory Board and submits reports to the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with legal regulations and, in particular, every quarter reports on the Company's situation and future plans. The Supervisory Board is also immediately informed about transactions and events of great significance. The Management Board prepares an annual budget, which it submits to the Supervisory Board for discussion and approval.

The Annual Shareholders' Meeting is convened by the Management Board. An ordinary Annual Shareholders' Meeting adopts resolutions concerning, in particular, the appropriation of the balance sheet profit, the release of the Management Board and the Supervisory Board from their responsibility, and the election of the external auditors. All shareholders listed in the Share Register and who have registered are authorized to participate and vote at the Annual Shareholders' Meeting. Each share entitles the owner to one vote at the Annual Shareholders' Meeting. Voting rights may also be exercised by proxy. The Annual Shareholders' Meeting is chaired by the Chairman of the Supervisory Board. Resolutions of the Annual Shareholders' Meeting are adopted with a simple majority of votes cast, unless otherwise prescribed by law or the Company's articles, and where the law requires a capital majority, with a simple majority of the capital represented entitled to vote.

9. Principles of Management Board and Supervisory Board remuneration

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board is performance-oriented and consists of fixed and variable elements. There is also a remuneration component providing long-term incentives in the form of convertible bonds, options and virtual options (Stock Appreciation Rights). The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to sales and earnings figures. Depending on the attainment of targets, the Chairman of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. There is no subsequent amendment of performance targets. No guaranteed minimum payment of the variable remuneration component is granted. There are no retirement benefits from the Company to members of the Management Board.

Each member of the Supervisory Board receives fixed remuneration of EUR 15,000 per year. The Chairman of the Supervisory Board receives the double amount. In addition to this fixed remuneration, each member of the Supervisory Board (including the Chairman and his deputy) receives an annual compensation amount based on the Company's performance, amounting to EUR 250 for every EUR 0.01 of earnings per share, as disclosed in the Company's consolidated financial statements for the year in question, which exceeds a minimum amount of EUR 0.30 per share. In agreement with the members of the Supervisory Board, it is Company policy not to offer remuneration for seats on the supervisory boards of other Group companies.

Further details of the remuneration of the Management and Supervisory Boards can be found in the Notes bullet point 32.

10. Dependent Company Report

The Management Board of Sedo Holding AG has submitted a Dependent Company Report to the Supervisory Board according to Section 312 (1) AktG, which deals among other things with the possible dependence of the majority shareholder United Internet AG. It concludes with the declaration that under the circumstances known by the Management Board at the time in which this legal transaction or the measure was taken or refrained from, in each legal transaction received a fair equivalent or as a result of the measure was taken or refrained from, was not put at a disadvantage.

11. OUTLOOK

Further growth of the Global Economy

In the IMF's World Economic Outlook update, which was published in January 2011, world economic growth of 4.4% is predicted in 2011. For the USA it expects a growth in GDP of 3.0%, while the EU should report economic growth of 1.7% and for Germany an increase of 2.2% is forecast. The IMF has thus significantly raised its forecasts for 2011 for the world economy (+0.2 percentage points), the USA (+0.7 percentage points) and Germany (+0.2 percentage points) compared to those in its update of October 2010.

For the forecast development of the economy, the IMF presupposes that the financial imbalances in the Euro Zone will only have a limited effect on the worldwide revival. In addition, it is expected that a fiscal policy measure implemented by the USA at the end of 2010 will lead to further economic growth.

Recovery of the German economy

In mid-January, in its 2011 annual report on the economy, the German Federal Government announced a forecast for the average increase in German GDP. According to it, the growth should be plus 2.3% compared with the previous year. This development should result from both foreign trade and domestic demand.

The Federal Government wants to advance the rooms to move for necessary reliefs at citizens and enterprises and strengthen the growth basis of the economy by a consolidation of the public households. In the year economizing report, however, the dependence of the German economic growth of stable and reliable framework conditions is referred to also in Europe. The economic crisis come through has therefore disclosed need for action in the institutional arranging of the European monetary union.

According to a publication in January 2011, the German Institut für Wirtschaftsforschung (DIW) expects a respectable growth in GDP amounting to 2.2%. In this connection, the institute also mentions investments, foreign trade and private consumption as growth drivers, however, it also makes reference to weaker foreign demand in 2011 – due to one-off catch-up effects in 2010.

Sustainable growth of online advertising

In its study "Advertising Expenditure Forecast", published in December 2010, ZenithOptimedia forecasts sustainable growth in the worldwide advertising industry. According to it, the growth in 2011 should be 4.6%. For both 2012 and 2013, growth of 5.2% is expected. The agency group forecasts growth of 9% for the North American advertising market up to 2013 and 10% for Western Europe. In this connection, it assumes a cautious approach by advertisers in these markets as a result of possible payment failures in the Euro Zone and a high unemployment rate in the USA.

In an announcement at the beginning of February 2011, BITKOM reported on increasing sales volumes of Smartphones and Tablet PCs in the German market and the growth of mobile Internet use associated with it. Smartphone are expected to increase in 2011 by 36% to 10 million units and the mobile data services should grow in the same year by 12% to on EUR billion. In this connection, the advertising market will also continue to change.

In its Online Report 2011/01, the OVK is forecasting unbroken growth of the online advertising market. For 2011, growth of 16% is expected in the gross advertising volume for the entire German online market. As a result, the trend will return to normal following the extremely positive “post-crisis year effect” in 2010.

Outlook for the Sedo Holding Group

Sedo Holding convinced that, in particular, performance-oriented advertising forms, in other words, that part of advertising which seeks to have an effect on the immediate behaviour of consumers and other customers in the interactive medium of the Internet, will have good growth prospects in the medium and long term.

In the area of **Affiliate Marketing** at the end of 2010 we have intensively dealt in a strategy project with the strategy for the forthcoming years. The result was adopted at the end of 2010 and provides for investments in the following areas: automation of the sales processes, improvement of the user-friendliness of the platform, sector-specific functions, bundling of small network users.

In the area of **Domain Marketing**, in which we maintain a leading position worldwide, overall we see the market in 2011 on a solid level. In the area of domain trading we expect good growth rates, both in the marketplace and also in our reseller system “SedoMLS”. We will focus our own holding of domains more intensively on domains which are marketable at short notice and dispose of loss-making domains.

We want to increase the sales revenues of Sedo Holding prior to currency effects by approx. 10%. We plan to at least double the pre-tax profit in 2011. While the growth in sales will be produced primarily by Affiliate Marketing, the improvement in the result before taxes will be attributable, above all, to the declining costs in Domain Marketing. In 2012 we will continue the investments in Affiliate Marketing. Domain Marketing will register a stable development. Overall, in 2012 we will further increase the sales revenues and further improve the result of the Group.

Future-related statements and forecasts

This Management Report contains future-related statements of the Management Board, which are based on present expectations, assumptions, forecasts and the currently available information. The future-related statements cannot be understood as guarantees for the future developments and results mentioned in them. On the contrary, the future developments and results are rather dependent on a large number of factors. They involve various risks and imponderabilities and are based on assumptions which, in future, may possibly prove to be incorrect. Sedo Holding AG accepts no liability to adapt or to update the future-related statements made in this report.

Cologne, March 10, 2011

The Management Board

Andreas Janssen, Tim Schumacher, Alexander Röthinger

Sedo Holding AG,

Cologne

Consolidated Financial Statements
acc. to IFRS

as of December 31, 2010

Sedo Holding AG - Consolidated balance sheet acc. to IFRS as of December 31, 2010 in EUR

		Notes	Dec. 31, 2010 in EUR	Dec. 31, 2009 in EUR adjusted*
ASSETS				
Cash and cash equivalents		*(15)*	6,316,289	6,547,793
Accounts receivable		*(16)*	14,571,260	11,671,967
Accounts receivable from affiliated companies		*(16)*	51,862	26,607
Inventories		*(17)*	2,438,463	5,590,801
Other non-financial assets		*(18)*	562,372	581,171
Other financial assets	*(3)*	*(19)*	14,320,536	2,588,321
Current assets			**38,260,782**	**27,006,660**
Shares of associated companies		*(12)*	955,779	899,004
Other financial assets	*(3)*	*(20)*	0	12,340,601
Property, plant and equipment		*(21)*	1,058,093	1,037,682
Intangible assets (without goodwill)		*(22)*	1,666,572	3,049,207
Goodwill		*(10)*	75,649,666	75,643,081
Deferred tax assets		*(13)*	1,962,648	925,908
Non-current assets			**81,292,758**	**93,895,483**
Total assets			**119,553,540**	**120,902,143**
LIABILITIES AND EQUITY				
Liabilities				
Trade accounts payable		*(23)*	17,888,070	17,090,977
Liabilities due to affiliated companies		*(24)*	250,106	150,054
Liabilities due to banks		*(25)*	0	1,400,080
Accrued taxes		*(26)*	2,710,281	3,234,927
Other accrued liabilities		*(27)*	1,035,910	2,167,416
Other current liabilities		*(28)*	4,317,257	6,078,248
Convertible bonds	*(29)*	*(30)*	563	3,500
Current liabilities			**26,202,187**	**30,125,202**
Convertible bonds	*(29)*	*(30)*	0	563
Deferred tax liabilities		*(13)*	339,804	678,218
Non-current liabilities			**339,804**	**678,781**
Total liabilities			**26,541,991**	**30,803,983**
Equity				
Capital stock		*(30)*	30,455,890	30,455,890
Additional paid-in capital		*(30)*	38,769,089	74,432,826
Accumulated profit/deficit		*(30)*	23,879,226	-14,743,646
Currency translation adjustments		*(30)*	147,734	-46,910
Total equity without minority interest			**93,251,939**	**90,098,160**
Minority interest		*(30)*	-240,390	0
Total equity			**93,011,549**	**90,098,160**
Total liabilities and equity			**119,553,540**	**120,902,143**

* The consolidated accounts for the year of 2009 were retrospectively amended and some figures differ to the previous year (for details see Notes No. 3 and 13).

Sedo Holding AG - Consolidated statement of income acc. to IFRS for January 1 to December 31, 2010 in EUR

	Notes	**Jan. - Dec. 2010 in EUR**	**Jan. - Dec. 2009 in EUR adjusted***
Sales	*(36)*	116,095,150	135,311,892
Cost of sales	*(4)*	-91,216,803	-107,154,373
Margin of cost of sales in %		*21.4%*	*20.8%*
Gross profit		**24,878,347**	**28,157,519**
Selling expenses	*(5)*	-11,702,016	-7,597,646
General and administrative expenses	*(6)*	-8,918,680	-12,630,766
Other operating expenses	*(7)*	-4,401,038	-4,659,148
Other operating income	*(8)*	4,253,146	18,675,275
Amortization of capitalized assets in the scope of acquistions	*(9)*	-1,051,618	-1,876,870
Goodwill amortization	*(10)*	-162,180	0
Operating result		**2,895,961**	**20,068,364**
Interest and similar expenses	*(11)*	-257,750	-1,089,921
Interest and similar income	*(11)*	554,625	208,868
Other financial result	*(11)*	0	338,718
Result from associated companies	*(12)*	62,295	-253,793
Pre-tax result from continued operations		**3,255,131**	**19,272,236**
Income taxes	*(13)*	-2,214,351	-5,438,840
Result from continued operations		**1,040,780**	**13,833,396**
Result from discontinued operations	*(3)*	1,527,666	21,333,749
Net income		**2,568,446**	**35,167,145**
Other comprehensive income			
Earnings/Losses from currency translations after taxes		189,735	-622,115
Other comprehensive income after taxes		**189,735**	**-622,115**
Total comprehensive income after taxes		**2,758,181**	**34,545,030**
Net income attributable to:			
Shareholders of Sedo Holding AG		**2,725,321**	**35,167,145**
Minority interest		-156,875	0
Total comprehensive income attributable to:			
Shareholders of Sedo Holding AG		**2,919,965**	**34,545,030**
Minority interest		-161,784	0
Earnings per share			
basic (EUR/share), from net income attributable to the holders of registered ordinary shares of the Company	(14)	0.08	1.32
diluted (EUR/share), from net income attributable to the holders of registered ordinary shares of the Company	(14)	0.08	1.32
Earnings per share from continued operations			
basic (EUR/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company		0.03	0.52
diluted (EUR/share), from result of continued operations attributable to the holders of registered ordinary shares of the Company		0.03	0.52
Earnings per share from discontinued operations			
basic (EUR/share), from results of discontinued operations attributable to the holders of registered ordinary shares of the Company		0.05	0.80
diluted (EUR/share), from result of discontinued operations attributable to the holders of registered ordinary shares of the Company		0.05	0.80
Weighted average number of shares outstanding		30,455,890	26,694,931
Weighted average number of shares outstanding (diluted)		30,455,890	26,694,931

* Correction was made to the recording in the accounts of corporation tax and figures differ to the previous year (for details see Notes No. 3 and 13).

Sedo Holding AG - Consolidated cash flow acc. to IFRS for January 1 to December 31, 2010 in EUR

	Notes	Jan. - Dec. 2010 in EUR	Jan. - Dec. 2009 in EUR adjusted*
Net income		2,568,446	35,167,145
thereof result from discontinued operations		1,527,666	21,333,749
Adjustment to reconcile net income to net cash			
Amortization/depreciation of intangible assets and property, plant and equipment	(4 - 6) (9)	2,051,135	3,144,639
Amortization of goodwill	(10)	162,180	0
Depreciation of inventories	(17)	3,382,673	1,241,546
Net result from disposals of assets		6,823	-58,688
Change in deferred taxes	(13)	-1,136,311	-341,531
Compensation expenses from employee stock option plans	(29) (30)	233,814	303,750
Result from associated companies	(12)	-62,295	253,793
Dividends from associated companies and other investments	(11)	0	-338,718
Disposal income from financial assets	(8)	0	-12,703,766
Compounding liability guarantee dividend minority shareholders	(3)	0	25,530
Operative cash flow from continued operations		**5,678,799**	**5,359,951**
Non-cash effects from discontinued operations		-1,660,780	-26,190,945
Total operative cash flow		**5,545,685**	**502,755**
Changes in assets and liabilities			
Change in trade receivables		-3,095,166	6,219,871
Change in receivables from affiliated companies		-25,255	642,942
Change in inventories		-230,335	-2,399,704
Change in other current financial assets		333,111	1,396,893
Change in other non-financial assets		-224,433	-606,580
Change in trade accounts payable		714,095	-4,271,611
Change in accounts payable due to affiliated companies		100,052	-278,633
Change in accounts payable due to minorities		0	-706,342
Change in accrued taxes		-1,024,789	2,627,489
Change in provisions		-1,131,506	-350,454
Change in other liabilities		572,970	652,969
Change in assets and liabilities from continued operations		**-4,011,256**	**2,926,840**
Change in assets and liabilities from discontinued operations		0	-458,842
Net proceeds from continued operations		**1,667,543**	**8,286,791**
Net expenditures from discontinued operations		**-133,114**	**-5,316,038**
Total net proceeds		**1,534,429**	**2,970,753**
Cash flow from investment activities			
Capital expenditure for property, plant and equipment	(21)	-592,825	-407,501
Capital expenditure for intangible assets	(22)	-22,997	-103,999
Investments in other financial assets	(3)	0	-312,370
Investments	(3)	-67,255	-5,500,000
Dividends and similar cash inflow from investments		0	338,718
Cash inflow through disposal of assets		36,583	34,495
Cash inflow through disposal of investments	(3)	0	45,063,719
Cash outflow for business combinations net of acquired cash	(3)	0	-572,677
Cash flow from investment activities from continued operations		**-646,494**	**38,540,385**
Cash flow from investment activities from discontinued operations		**0**	**-1,974,534**
Total cash flow from investment activities		**-646,494**	**36,565,851**
Cash flow from financing activities			
Change of utilized credit line from affiliated companies	(24)	0	-29,837,778
Repayment of short-term bank loans	(25)	-1,400,080	-13,678,554
Repayment of convertible bonds	(29)	-3,500	-31,150
Dividend paid to minority interest	(3)	0	-250,000
Cash flow from financing activities from continued operations		**-1,403,580**	**-43,797,482**
Cash flow from financing activities from discontinued operations		**0**	**0**
Total cash flow from financing activities		**-1,403,580**	**-43,797,482**
Net increase/decrease in cash and cash equivalents		-515,645	-4,260,878
Cash and cash equivalents at the beginning of the fiscal year		6,547,793	12,039,730
Effect of addition of cash and cash equivalents from first consolidation		11,097	0
Effect of disposal of cash and cash equivalents from deconsolidation		0	-1,155,795
Effect of exchange rate differences on cash		273,044	-75,264
Cash and cash equivalents at the end of the reporting period		**6,316,289**	**6,547,793**
Deposit of interest from continued operations		432,033	58,465
Cash paid for interest from continued operations		-254,250	-1,343,336
Deposit of taxes from continued operations		282,554	83,257
Cash paid for taxes from continued operations		-5,025,912	-3,135,674

* The consolidated accounts for the year of 2009 were retrospectively amended and some figures differ to the previous year (for details see Notes No. 3 and 13).

Sedo Holding AG - Changes in shareholders' equity acc. to IFRS for January 1 to December 31, 2010 in EUR

	Capital stock	Additional paid-in capital	Accumulated profit/deficit	Currency translation adjustment	Total shareholders' equity	Minority interest	Total Company's equity
Notes	*(30)*	*(30)*	*(30)*	*(30)*		*(30)*	
	Shares and EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as of December 31, 2008	**26,205,890**	**65,042,735**	**-49,910,791**	**575,205**	**41,913,039**	**4,305,552**	**46,218,591**
Net income	0	0	35,167,145	0	35,167,145	0	35,167,145
Other comprehensive income	0	0	0	-622,115	-622,115	0	-622,115
Total comprehensive income	0	0	35,167,145	-622,115	34,545,030	0	34,545,030
Non-cash capital increase	4,250,000	9,350,000	0	0	13,600,000	0	13,600,000
Disposal of minority interests	0	0	0	0	0	-4,305,552	-4,305,552
Addition from stock-option plans	0	40,091	0	0	40,091	0	40,091
Exercise of convertible bonds	0	0	0	0	0	0	0
Balance as of December 31, 2009 (adjusted*)	**30,455,890**	**74,432,826**	**-14,743,646**	**-46,910**	**90,098,160**	**0**	**90,098,160**
Net income	0	0	2,725,321	0	2,725,321	-156,875	2,568,446
Other comprehensive income	0	0	0	194,644	194,644	-4,909	189,735
Total comprehensive income	0	0	2,725,321	194,644	2,919,965	-161,784	2,758,181
Addition of minority interests	0	0	0	0	0	-78,606	-78,606
Addition from stock-option plans	0	233,814	0	0	233,814	0	233,814
Withdrawal from paid-in capital	0	-35,897,551	35,897,551	0	0	0	0
Balance as of December 31, 2010	**30,455,890**	**38,769,089**	**23,879,226**	**147,734**	**93,251,939**	**-240,390**	**93,011,549**

* The consolidated accounts for the year of 2009 were retrospectively amended and some figures differ to the previous year (for details see Notes No. 3 and 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

1. Information on the company

Nature of the business

The purpose of the business of Sedo Holding AG (subsequently referred to as “the Company” or “Sedo Holding Group” or “the Group”) is to acquire, hold and manage investments in other German and foreign companies, as well as to provide marketing, sales and other services connected with information and telecommunication technology, to advise companies on marketing, sales and advertising issues as well as to market information and telecommunication technologies and products associated with these areas of activity.

In accordance with its articles, the Company is authorized to conduct all business activities and to take all action that may be conducive to attaining its purpose. It may acquire or invest in all manner of companies, both German and foreign and establish branch operations in Germany or other countries.

The Company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may transfer or outsource all or part of its operations to affiliated companies.

The Company’s registered office is at Im Mediapark 6, 50670 Cologne, Germany, with branches or subsidiaries in Munich, Hanover, Cologne, Montabaur, Cambridge/Boston (Massachusetts/USA), Haarlem (Netherlands), Levallois-Perret (France), London (UK) and Madrid (Spain). All Company offices are leased.

Employees

On December 31, 2010, the Sedo Holding Group had 340 employees (previous year: 318). The average number of employees was 326 (previous year: 434). The decline in the average number of employees of 108 resulted from the fact that in 2009 the employees of the Display Marketing segment, which was sold on August 31, 2009, were still included. These employees are allocated among the various divisions as follows:

	2010	**2009**
Order Processing	30	58
Product Management and Development	59	52
Marketing	18	18
Sales	153	196
Administration	52	54
EDP	14	56
Average number of employees	326	434

The reporting company

The Group’s parent company, Sedo Holding AG, was founded on September 6, 1996 as 1&1 Multi-media Service GmbH. In accordance with a resolution of the Annual Shareholders' Meeting of January 24, 1997, the Company was renamed 1&1 Online Dialog GmbH. With a resolution of September 29, 1999 the Company was renamed AdLINK Internet Media GmbH Europe. With a resolution of the Annual Shareholders' Meeting of February 14, 2000, the legal form was changed to that of a public limited company (“Aktiengesellschaft”) with the name AdLINK Internet Media AG. The Annual Shareholders’ Meeting of May 19, 2010 decided to change the previous name of the Company on the basis of the completed realignment to Sedo Holding AG and also to relocate the official registered office of the Company in Cologne. The new Company was entered in the Commercial Register on June 30, 2010, the change of registered office was entered in the Commercial Register on September 24, 2010.

Sedo Holding AG is registered at Cologne District Court under HRB 70359.

The parent company

The annual financial statements of Sedo Holding AG are included in the annual financial statements of the Group's controlling parent company United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany. United Internet AG is thereby the direct parent company of Sedo Holding AG, although some of the shares are held indirectly via United Internet Beteiligungen GmbH, Elgendorfer Strasse 57, 56410 Montabaur, Germany.

2. Accounting and valuation principles

2.1 Basis of preparation

In accordance with Article 4 of the so-called IAS Ordinance (Ordinance (EU) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, ABl. EU No. L 243 p. 1), the Sedo Holding Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards) and the respective interpretations of the IFRIC (International Financial Reporting Interpretations Committee). The Company also observed and applied the supplementary regulations of Section 315a (1) German Commercial Code (HGB). All IFRS standards valid on the balance sheet date and as applied within the European Union were observed.

The reporting currency is the Euro (EUR). Amounts stated in the notes to the financial statements are in thousand Euro (EURk) or million Euro (EURm). The consolidated financial statements are always drawn up on the basis of historical costs. The exceptions to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value.

The balance sheet date is December 31, 2010.

The Supervisory Board approved the consolidated financial statements for 2009 at its meeting on March 22, 2010. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on April 20, 2010.

The consolidated financial statements for 2010 were prepared by the Company's Management Board on March 10, 2011 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 18, 2011.

2.2 Consolidation principles

The consolidated group comprises Sedo Holding AG and all domestic and foreign subsidiaries (majority shareholdings) controlled by it. A company is deemed to be controlled, if the Company can determine its financial and business policies in order to gain an economic benefit. The annual financial statements of subsidiaries are prepared as of the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

All intercompany balances, transactions, income, expenses, profits and losses from inter-company transactions contained in the carrying value of assets are fully eliminated.

Subsidiaries are fully consolidated from the point of acquisition, i.e. from the date on which the Company gained control. Consolidation ends as soon as the parent company no longer has control over the subsidiary.

Shares without a controlling interest (minority interests) represent the proportion of the result and net assets which is not attributable to the Group. Minority interests are disclosed separately in the consolidated income statement and consolidated balance sheet. Minority interests are disclosed in the consolidated balance sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of the parent company. Losses of a subsidiary are also then assigned to the minority interests, if this leads to a negative balance. Up to December 31, 2009, the acquisition of minority shareholdings was accounted for using the so-called "parent entity extension method". In this connection, the difference between purchase price and book value of the proportion of net assets acquired was carried as goodwill. Since January 1, 2010, in the event of acquisition of shares without a controlling interest or the disposal of shares with a controlling interest, without the controlling interest being lost, the carrying values of the shares with and without a controlling interest will be adjusted in order to reflect the change in the respective participation quota. The amount by which the sum to be paid or received for the change in the participation quota exceeds the carrying value of the shares with and without a controlling influence is to be included directly in the equity capital being assigned to the share with a controlling influence.

As of December 31, 2010, the Group includes the following subsidiaries in which Sedo Holding AG holds a direct or indirect majority interest (as indicated by the shareholding/abbreviation in brackets):

- Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur / Germany (100 % / "Response Republic")
    - Sedo GmbH, Cologne / Germany (100 % / "Sedo Germany")
        - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100 %, [0,002 % in escrow] / "DomCollect")
        - Sedo.com LLC, Cambridge (Boston) / USA (100 % / "Sedo USA")
        - Sedo London Limited, London / Great Britain (100 % / "Sedo UK")
- affilinet GmbH, Munich / Germany (100 % / "affilinet Germany")
    - affilinet España SLU, Madrid / Spain (100 % / "affilinet Spain")
    - affilinet Nederland B.V., Haarlem, Netherlands (100 %, "affilinet Netherlands")
    - affilinet Ltd., London / Great Britain (100 % / "affilinet UK")
    - affilinet France SAS, Levallois-Perret / France (100 % / "affilinet France")

In addition, Intellectual Property Management Company Inc. with its registered office in Dover, Delaware, USA ("IPMC"), is included since January 1, 2010 as a fully-consolidated company in the Group's consolidated financial statement. Sedo GmbH holds 49% of the shares in IPMC as well as a purchase option on a further 32% of the shares, which can be exercised since January 1, 2010. Already the possibility of its being exercised leads, according to IAS 27 "Consolidated and separate financial statements", to the company being fully consolidated as of the 2010 fiscal year. Until December 31, 2009 the company was included in the accounts as an associated company at equity.

All companies in which the Company has invested and over whose financial and business policies it has a significant influence are carried in the consolidated financial statements as associated companies using the equity method. The following companies belong to this group:

- DomainsBot Srl, Rome / Italy (49% / "DomainsBot Italy")
    - DomainsBot Inc., San Francisco/California / USA (49% / "DomainsBot USA")

All companies in which the Company has invested and over whose financial and business policies it has no significant influence (< 20% of voting shares) are included as financial instruments pursuant to IAS 39 and held at fair value.

For further information, we would like to make reference to Note 3: "Corporate transactions".

2.3 Changes in accounting and valuation methods

The accounting and valuation policies applied mainly correspond to the methods applied in the previous year, with the exception of the following new and revised IFRS standards and interpretations applied for the first time. There were no significant effects on the presentation of the Group's net assets, financial situation and results of operations from the application of new or revised standards and interpretations.

IFRS 1 - First-time Adoption of IFRS

The revised standard IFRS 1 was released in November 2008 and is to be applied for the first time for fiscal years starting on or after January 1, 2009. The revision of the standard only included editorial amendments and a restructuring of the standard. There are no amendments to accounting and valuation regulations for the first-time adoption of IFRS resulting from the revision. The standard has no effect on the Company.

IFRS 3 - Business Combinations

The amended standard IFRS 3 was released in January 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. Within the context of a convergence project of IASB and FASB, this standard was subjected to a thorough revision. The essential changes particularly concern the introduction of a right to choose for the valuation of minority interest between accounting of the proportionate identifiable net asset (so-called purchased goodwill method) and the so-called full goodwill method, according to which full goodwill is recognized, including the portion attributable to minority equity holders. Furthermore, the revaluation of existing investments upon first-time acquisition of control in the income statement (successive business acquisition), the mandatory accounting of a consideration tied to the occurrence of future events at the time of acquisition, and the treatment of transaction costs as in-come-effective are particularly worth mentioning. The transitional provisions provide for the revision's prospective application. No changes arise for asset and liabilities resulting from business combinations prior to the first-time application of the new standard. The provisions provide for the revision to be applied prospectively.

The amendments will have no effects on the Consolidated Financial Statement. However, the amendments will affect the measurement size of goodwill, the results of the reporting period in which a company is acquired, and on future results. In particular, the application of the full goodwill method can lead to higher goodwill values.

IAS 27 - Consolidated and Separate Financial Statements acc. to IFRS

The revised standard IAS 27 was released in January 2008 and is applicable for fiscal years beginning on or after July 1, 2009. The changes primarily concern the accounting of investments with no control over the entity (minority interest), participating in the Group's losses to the full amount in the future, and of transactions that lead to a loss of control over a subsidiary and whose consequences shall be recognized in the income statement. The consequences of the sale of investments not resulting in a loss of control shall be recognized in equity, not affecting net income. There are no changes, therefore, for assets and liabilities resulting from such transactions prior to the first-time application of the new standard. As neither the aforementioned transactions nor a negative contribution from minority interests are expected in the reporting period of the Group's initial application, there will be no effects on the consolidated financial statements from the application of this standard.

Amendments to IAS 39 – Eligible Hedged Items

The amendments to IAS 39 were released in July 2008 and are applicable retrospectively for fiscal years beginning on or after July 1, 2009. The amendment specifies how the principles contained in IAS 39 regarding the designation of hedging instruments of a one-sided risk in a hedged item and the designation of inflation risks as a hedged item are to be applied. The amendment clarifies that it is permissible to designate only part of the changes in fair value or of cash flow fluctuations of a financial instrument as a hedged item. The revised standard is not expected to have any effect, as the Company has not entered into any hedging transactions in the past.

IFRIC 17 - Distributions of Non-cash Assets to Owners

IFRIC Interpretation 17 was released in November 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting and measurement of obligations which provide for the distribution of non-cash assets to the owners.In particular, the interpretation clarifies the time, valuation and disclosure of such obligations. It stipulates that such an obligation is to be carried and measured at fair value if the company can no longer avoid such obligations. The measurement of the obligation and any changes in fair value of the asset concerned are to be carried in equity. An effect on profit or loss in the amount of the difference between fair value and the asset's carrying value only occurs at the time when this asset is transferred to the owner. IFRIC 17 will have no effect on the consolidated financial statements, as no distribution of non-cash assets within the Group is expected.

IFRIC 18 - Transfers of Assets from Customers

IFRIC Interpretation 18 was released in January 2009 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting of agreements in which an entity receives from a customer an item of property, plant, and equipment or cash which the entity must then use to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. In particular, the interpretation provides guidance on how to account for customer contributions as well as the time and scope of income recognition from such business transactions. The interpretation will have no effect on the consolidated financial statements, as the Group does not conduct such business transactions.

Annual Improvement Project - Improvements to IFRS 2009:

On April 16, 2009 the IASB released the second final standard with amendments to existing IFRS ("Omnibus Standard"). The Annual Improvement Project 2007 – 2009 made minor amendments to a total of twelve standards. The adopted amendments are applicable for fiscal years beginning on or after January 1, 2010; with the exception of amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, which must already be applied for fiscal years beginning on or after July 1, 2009. The following amendments are of particular interest, although their application will have no significant effect on the Company's consolidated annual financial statements:

► IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": clarification that other IFRS standards apart from IFRS 5 are only relevant for disclosure obligations if they require special disclosures for non-current assets (so-called disposal groups) classified as held for sale or discontinued operations.

► IFRS 8 "Operating Segments": disclosure of information about segment assets must only be made if these are reported internally.

► IAS 7 "Statement of Cash Flows": clarification that only those expenditures leading to the carrying of an asset are to be recognized in cash flow from investing activities.

► IAS 36 "Impairment of Assets": the amendment affects the level on which the goodwill impairment test is conducted.

► IAS 38 "Intangible Assets": clarifications regarding the summary of intangible assets acquired in a business combination; it is sufficient in future if an intangible asset is separable together with a contract, an asset or a liability. Moreover, the measurement methods regarding the valuation of intangible assets acquired in a business combination were clarified or amended.

► IAS 39 "Financial Instruments: Recognition and Measurement": clarification that fair value changes recognized in equity of a hedging instrument from cash flow hedges for planned transactions which lead to the carrying of a financial instrument (for example foreign currency revenue) and financial instruments carried in the balance sheet must be reclassified in the income statement (so-called reclassification adjustment), if the underlying transaction is recognized in the income statement.

The ASB and the IFRIC have published the standards and interpretations listed below, which have already been adopted into EU law within the scope of the comitology procedure, but were not yet subject to mandatory application in the 2010 fiscal year. The group did not voluntarily apply these standards and interpretations in advance.

IFRS 2 - Share-Based Payment

The IASB issued amendments to IFRS 2 in June 2009 concerning the accounting for group cash-settled share-based payment transactions. They contain a clarification as to how an individual subsidiary should account for certain share-based payment arrangements in its own (separate) financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments also incorporate guidance into IFRS 2 which was previously included in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "Group and Treasury Share Transactions acc. to IFRS 2". As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for fiscal years beginning on or after June 30, 2010 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any effect on the Company's consolidated annual financial statements.

IAS 24 - Related Party Disclosures

In November 2009, the IASB released the revised IAS 24. The revision first of all simplifies reporting obligations for companies in which the state has a holding (so-called state-controlled entities). In addition, the definition of related party was fundamentally revised. Application of the revised standard is mandatory for fiscal years beginning on or after January 1, 2011. The Group has not yet finished analyzing the possible effects on the consolidated annual financial statements.

IAS 32 - Financial Instruments: Presentation

In October 2009, the IASB released amendments to IAS 32 regarding the classification of rights issues. The standard clarifies those cases in which rights are issued in a currency different to the company's functional currency. The published amendments to IAS 32 are the IASB's swift reaction to the financial market crisis which saw an increase in the number of such cases as companies increasingly attempted to raise additional capital. The amendments are to be applied in fiscal year beginning on or after February 1, 2010. Earlier adoption is possible. Due to a lack of relevance, the amended standard will not affect the Company's consolidated annual financial statements.

Amendment of **IFRIC 14 - IAS 19** - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In November 2009, the IFRIC issued an amendment to IFRIC 14, which is of relevance if a company which has to meet minimum funding requirements in connection with its pension plans makes prepayments to such plans. The amendments are effective for fiscal years beginning on or after January 1, 2011. The application of amended IFRIC 14 will have no effect on the Company's consolidated annual financial statements.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

This interpretation contains guidelines on the treatment of transactions also known as "Debt for Equity Swaps". It clarifies the IFRS requirements in the case that a company renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments of the company for the full or partial extinguishing of the financial liability. IFRIC 19 is to be applied in fiscal years beginning on or after July 1, 2010. Due to a lack of relevance, this interpretation will not affect the Company's consolidated annual financial statements.

Annual Improvement Project - Improvements to IFRS 2010:

On May 6, 2010, the IASB released the third final standard with amendments to the existing IFRS ("Omnibus Standard"). In addition, the amendment to IFRS 1 (First-time Adoption of IFRS) is included, which was part of the standard draft on rate-regulated activities published in July 2009. With the summarizing of these amendments in one document, the IASB intends to reduce the effort involved for all concerned. Through the Annual Improvement Project 2008 – 2010 minor amendments were made to a total of six standards and an interpretation of the IFRS Interpretations Committee was made as follows:

- IFRS 1 "First-time Adoption of the International Financial Reporting Standards": Clarification on the amendments to the accounting and evaluation methods in the year of application, on new evaluation basis as assumed procurement costs as well as in the use of assumed procurement costs for business activities which are subject to price regulation.
- IFRS 3 "Business Combinations": Clarification of the transitional regulations for contingent considerations arising from a business combination, which took place prior to the amended IFRS coming into force, on the evaluation of the minority interests as well as on the non-replaced and voluntarily-replaced share-based compensation.
- IFRS 7 "Finance Instruments: Disclosures": clarification of disclosures.
- IAS 1 "Presentation of Financial Statements": clarification of the change in equity calculation.
- IAS 27 "Consolidated and Separate Financial Statements": temporary regulations for changes which arise due to IAS 27.
- IAS 34 "Interim Financial Reporting": clarification of major events and business transactions.

- IFRIC 13 “Customer Loyalty Programs”: explanation of the fair value of the loyalty award credits.

The adopted amendments are applicable in the fiscal year which begins on or after January 1, 2011; with the exception of IFRS 3 and IAS 27, which are already applicable as of July 1, 2010. A previous use is permitted on principle.

The IASB and the IFRIC have published the standards and interpretations listed below, which have not yet been recognized by the EU. The application of the standards and interpretations is not yet mandatory in the 2010 fiscal year and wil not be applied by the Group.

Amendment to IFRS 7 – Financial Instruments: Disclosures

In October 2010, the IASB published a standard with amendments to IFRS 7 with respect to the enhancement of disclosures about transfers of financial assets. With the help of the new amendments in future, financial reports should be clearer and thus grant users when considering transactions with regard to the transfer of assets, for example, securitizations, with more insight. In addition, a significant standardization of the disclosure requirements according to IFRS and US-GAAP is achieved. The changes are to be applied in fiscal years which start on or after July 1, 2011. The group has not yet completed the analysis possible effects on the consolidated accounts.

IFRS 9 - Financial Instruments

In November 2009, the IASB released the new standard IFRS 9 for the classification and measurement of financial assets. The publication of IFRS 9 closes phase 1 of a three-part IASB project for the complete revision of accounting for financial instruments and will thus replace IAS 39. IFRS 9 contains a new and less complex approach to the classification and measurement of financial assets. There are now just two instead of four measurement categories for financial assets. Initial application of IFRS 9 is mandatory as of January 1, 2013. In line with the requirements of the G20, however, voluntary earlier adoption is already permissible for fiscal year ending in 2009 or later. The Group has not yet finished analyzing the possible effects on the consolidated annual financial statements.

Amendments to IAS 12 – Income Taxes

The IASB published amendments to the IAS 12 standard in December 2010, which result from proposals which were made on a draft standard published in September 2010 for the purpose of public commentary. According to IAS 12, the assessment of latent taxes depends on whether the carrying value of assets is realized through their use or their disposal. The amendment offers a practical solution to this problem through the introduction of a refutable assumption that the realization of the carrying value is normally effected through disposal. In this connection, SIC 12 “Realization of revalued assets with unscheduled amortization” is withdrawn. The amended standard must be applied for fiscal years which start on or after January 1, 2012. This amendment will probably have no effects on the consolidated accounts of the Company due to the lack of a field of application.

2.4 Summary of significant accounting and valuation methods

Revenue recognition

The Sedo Holding Group is one of Europe’s leading independent advertising networks. The specialist companies belonging to the Sedo Holding Group, offer advertising customers a range of online marketing and sales solutions in the field of affiliate and domain marketing. In the case of revenue recognition, a distinction must be made between the Group’s various specialists.

Domain Marketing

The Company operates a trading platform for the secondary domain market. In addition, the Company offers domain owners the possibility to market unused domains for advertising purposes (domain parking).

The Company generates revenue in the form of sales commissions from the operation of its trading platform for the successful sale of domains via the platform and revenue for services relating to domain value assessments and domain transfers. The sales commissions and services relating to domain transfers are generally based on a percentage of the sales price achieved, whereas fixed prices are charged for the other services. The Company recognizes income in sales at the time of invoicing. Revenue is recognized on completion of the transaction or provision of the service.

A further part of sales revenue is generated from the marketing of domains which have been “parked” for advertising purposes. The Company receives performance-based payment on a monthly basis from the advertising partner on a pay-per-click basis. The monthly payments credited by the advertising partner are recognized as revenue. Payments to the domain owners for the provision of the domain are not deducted (gross method).

The Company itself also trades with domains. Sales income is recognized and disclosed as revenue in the case of a completed sale (money received) in the amount of the agreed sales price.

Affiliate Marketing

In the field of Affiliate Marketing, the Company operates an online advertising platform. This is a performance-based online sales solution by which advertisers or merchants can gain, control and pay their sales partners, in this case website operators, via a joint platform. As part of the affiliate program of the merchant (advertiser), available via the platform, the website operator (affiliate) incorporates the advertiser’s message to promote sales of goods and services on his website and generally receives a fee for the successful brokerage of customers. The objective of the platform is to create an efficient link and communication between advertisers and website operators.

As the operator of this platform, the Company guarantees the smooth operation of the platform, and is responsible for the measurement of performance and processing. The Company is the contractual partner both for the advertiser and the affiliate. On behalf of the affiliates, the Company assumes the solvency risk of the advertiser, as well as the invoicing and payment of the fees generated, in accordance with the contractual terms of the affiliates.

Advertisers are supported and advised by affilinet with the preparation of affiliate programs and the acquisition of affiliates for their respective programs.

The Company is compensated by the merchants for the use of administration and management tools within the affiliate programs, as well as for the calculation of transactions and the monthly payments to website operators. Invoicing is based on the amount to be paid to the affiliate. The calculation uses either one or a combination of the following price models:

<u>Invoicing on a cost-per-click basis</u>
In the case of cost-per-click invoicing, performance can only be billed if the website visitor clicks on the advertiser’s display. The amount per click is fixed.

<u>Invoicing on a cost-per-action basis</u>
Performance can only be billed if the website visitor completes a pre-defined action, such as the registration of a user account or subscription to a mailing list. The amount per action is fixed.

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

Invoicing is effected either in advance or on a monthly basis following completion of performance. Revenue is recognized on completion of performance. Amounts invoiced in advance are recognized less performance completed as advance payments received. In those cases in which performance is not billed monthly, performance completed is calculated and recognized as revenue at the prices agreed with the customer.

The Company recognizes revenue using the gross method. Remuneration of affiliates is allocated to cost of sales.

Foreign currency translation

The consolidated financial statements are prepared in Euro, the Company’s functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every balance sheet date using the closing rate. All currency differences are expensed in the income statement. The exceptions are currency differences from loans in foreign currencies, providing they are used to hedge a net investment in a foreign operation. These are carried directly in equity until the sale of the net investment and only recognized in the period result on disposal. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying values of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into Euro at the closing rate. Equity positions are valued at the time of acquisition at historical cost. Income and expenditure is translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

The exchange rates for the main currencies of the Sedo Holding Group developed as follows:

(in relation to one Euro)	Closing rate		Annual average rate	
	31.12.2010	31.12.2009	2010	2009
US Dollar	1.3362	1.4406	1.3257	1.3948
Pound Sterling	0.8608	0.8909	0.8578	0.8909

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation. Scheduled depreciation is made using the straight-line method over the expected economic useful life of the asset. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are assessed as the difference between net sales proceeds and the asset's carrying value. They are recognized on elimination in other operating income or other operating expenses.

Depreciation is based on the following useful life periods:

	Useful life in years
Leasehold improvements	Up to 10
Vehicles	5 to 6
Other operational and office equipment	3 to 10
Office furnishing	5 to 13

Leasehold improvements are depreciated either over their respective useful lives or over the lease period if shorter.

Borrowing costs

Borrowing costs are expensed in the period incurred, providing that they cannot be allocated directly to the purchase, construction or manufacture of a qualified asset. In this case they are allocated to manufacturing costs, in accordance with IAS 23, and thus capitalized.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. On initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at cost less cumulative impairment charges and not amortized in scheduled amounts. Goodwill is subjected to an impairment test at least once annually or whenever there is any indication of impairment. The Company undertakes the annual impairment test for goodwill on the balance sheet date.

Goodwill acquired in the course of a business combination is allocated from the date of acquisition to a cash-generating unit of the Group. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

An impairment need is determined on the basis of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount.

The recoverable amount of the cash-generating units was calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based on the budget approved for the following fiscal year of the respective cash-generating unit, as well as on the basis of external sector-related market studies and management expectations of cash-flow forecasts for a detailed planning period of a further 3 years. Cash flows after this four-year period are extrapolated on the basis of an annual growth rate of 1.5% (previous year: 2.0%).

The main management assumptions used for the calculation of fair value less selling costs include assumptions about the development of sales, margins, costs and discounted interest rates.

Intangible assets

Acquired intangible assets are carried at cost on initial recognition. The acquisition cost of intangible assets resulting from a business combination corresponds to its fair value at the time of acquisition. In the following periods, intangible assets are valued at cost less cumulative amortization and cumulative impairment charges. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are expensed in the period incurred.

A differentiation is made between intangible assets with definable and those with non-definable useful lives.

Intangible assets with definable useful lives are amortized over their expected economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. The useful lives and amortization methods of intangible assets with definable useful lives are reviewed at least at the end of each fiscal year if there is any indication of a change in the underlying estimates. Any necessary changes to the depreciation method and/or useful life are treated as changes to assumptions. Amortization of intangible assets with limited useful lives is recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Company. The exception to this rule is amortization of acquired intangible assets resulting from a business combination, which are disclosed as a separate item in the income statement.

In the case of intangible assets with non-definable useful lives, an impairment test is performed at least once annually for the individual asset or on the level of the cash-generating unit. Such intangible assets are not amortized in scheduled amounts. The useful life of an intangible asset with a non-definable useful life is reviewed annually to ascertain whether the assumption of a non-definable useful life is still justified. If this is not the case, a prospective change is made from non-definable useful life to definable useful life.

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

	Useful life in years
Trademarks*	Unlimited
Internet platforms	5
Customer base / Databases	5
Licenses and other rights	3 to 6
Software	3

* A trademark is only classified as an intangible asset with an non-definable useful life if there are no management plans to discontinue the future use of the brand at the respective balance sheet date and no other objective grounds against such classification.

Investments in associated companies

Investments in associated companies are valued according to the equity method. An associated company (at-equity investment) is defined as an entity over which the Sedo Holding Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Using the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The income statement includes the Company's portion of the success of the associated company. Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and – where applicable – reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding in the associated company.

The balance sheet date and the accounting and valuation methods for similar business transactions and events under comparable circumstances are generally the same for the associated company and the Company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if an annual impairment test is necessary, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value in use. The recoverable amount of each asset must be determined, unless an asset does not generate cash flows which are largely independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. In order to determine the value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less sales costs. This is based on valuation multipliers, the share prices of listed companies or other available indicators for fair value.

Impairment charges of continued operations are recognized according to the expense category corresponding to the function of the impaired asset in the Company. This does not apply to previously revalued assets, if the gains from revaluation were recognized in equity. In such cases, impairment is recognized up to the amount of the previous revaluation in equity.

A review is made of assets, with the exception of goodwill, on each balance sheet date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased in size. In the case of such an indication, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumption used to determine the recoverable amount since recognition of the last impairment loss. If this is the case, the asset's carrying value is raised to its recoverable amount. This amount may not exceed the carrying amount, less depreciation, that would have been determined had no impairment loss been recognized for the asset in previous years. Such a reversal of an impairment loss is recognized immediately in the income statement, unless the asset is carried at the revalued amount. In this case, the reversal is treated as a revaluation increase. An impairment loss recognized for goodwill is not even reversed if the recoverable amount increases in subsequent years.

An impairment test of intangible assets with unlimited useful lives is made at least once per year. Depending on the individual case, the review is performed for a single asset or on the level of the cash-generating unit. The review is made on the balance sheet date.

Financial investments and other financial assets

Depending on the individual case, financial assets as defined by IAS 39 are classified either as financial assets held at fair value through profit or loss, as loans and receivables, as held-to-maturity financial investments or as available-for-sale financial assets. Financial assets are carried at fair value on initial recognition. In the case of other financial investments than those held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also considered.

Financial assets are classified according to valuation categories at the moment of initial recognition. Where necessary and permissible, reclassifications are made at the end of a fiscal year.

All standard market purchases and sales of financial assets are recognized on the transaction day. Standard market purchases and sales are purchases and sales of financial assets which prescribe the delivery of the assets within a period specified by market regulations or conventions.

Held-for-trading financial assets

The category of financial assets held at fair value through profit or loss includes held-for-trading financial assets and financial assets which are classified as financial assets held at fair value on initial recognition. As in the previous year, none of the Group’s financial assets were placed in this category as of December 31, 2010.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Following initial recognition, loans and receivables are carried at amortized cost using the effective interest method less allowances for impairment. Amortized cost is calculated under consideration of all discounts and premiums on purchase and includes all fees which are an integral part of the effective interest rate and transaction costs. Profits and losses are recognized in the period when the loans and receivables are eliminated or impaired or as part of amortization.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or at least determinable payments and fixed maturities, which the Group intends and is able to hold until maturity. As in the previous year, the Group held no financial assets in this category as of December 31, 2010.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any of the three categories above. After initial recognition, available-for-sale financial assets are carried at fair value, whereby non-realized profits or losses less deferred taxes are recognized directly in equity (in the revaluation reserve). Should it come to the estimate of a lasting loss of value, the losses previously registered in the equity will be reclassified to the other financial result in the statement of comprehensive income.

On disposal of the assets, the cumulative profit or loss previously recognized directly in equity is reclassified to the items other operating expenditures or operating income in the comprehensive income statement. Interest received or paid from financial investments is disclosed as interest income or interest expense. The effective interest method is applied. Dividends are recognized when there is a legal claim to payment and carried in the income statement.

On December 31, 2010, as on the previous year's balance sheet date, no finance instruments were classified as available-for-sale financial assets.

Fair value

The fair value of available-for-sale financial assets which are traded on organized markets is determined by the quoted market price on the balance sheet date.

Impairment of financial assets

On each balance sheet date, the Group assesses whether there has been any impairment of a financial asset or group of financial assets.

Assets carried at amortized cost

If there is an objective indication that loans and receivables carried at amortized cost are impaired, the loss is calculated as the difference between the asset's carrying value and the present value of the expected future cash flows (with the exception of expected future credit losses not yet occurred), discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate on initial recognition). The asset's carrying value is reduced using an impairment account. The impairment loss is recognized in the income statement.

It is first ascertained whether there is an objective indication for impairment of financial assets, individually or together. If the Group discovers that there is no objective indication for impairment of an individually examined financial asset, whether significant or not, it assigns the asset to a group of financial assets with comparable default risk profiles and tests them collectively for impairment. Assets which are tested individually for impairment and for which impairment is ascertained are not included in the collective impairment test.

If the scale of the impairment is reduced in one of the following reporting periods and this reduction can be objectively attributed to an event occurring after recognition of impairment, the allowance is reversed. This write-back is recognized in the income statement, but is limited in scale to amortized cost at the time of the write-back.

In the case of trade receivables, if there are objective indications for an impairment of the receivable (e.g. the probability of insolvency, significant financial difficulties of the debtor or age of the receivable), a suitable write-down is made on the basis of experience values. The recognized write-downs and receivables are eliminated in the period in which they are classified as uncollectible. The Company mainly bases impairment on due date bands: receivables which are overdue by more than 90 days are impaired by 25%, while receivables overdue by more than 120 days are impaired by 100%.

Available-for-sale financial assets

In the case of permanent impairment of available-for-sale financial assets, the impairment is recognized in the period in which the permanent impairment was determined. Revaluations of the same asset from previous periods recognized directly in equity are netted directly without effect on the income statement.

Write-backs of equity instruments classified as available-for-sale, are not recognized in the income statement.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary costs up to the time of sale. The Company's inventories consist of domains purchased for resale purposes. The holding period of such domains depends on how attractive/marketable the respective domains are. A longer holding period indicates a less attractive/marketable domain. The reduced marketability of a domain is interpreted as a declining sales prospect, which reduces the recoverable net sales revenue as a result of higher costs up to the time of sale in conjunction with lower sales price expectations.

On the basis of their residual values, corresponding write-downs are made on domains at the end of each fiscal year, which increase over time. The write-downs are made initially at the end of the fiscal year following purchase. After a holding period of seven years, the Company regards the probability of sale as almost zero and thus zero is assumed for the sake of simplicity. The size of the write-downs for slow-moving products and the varied amounts over time represent the best-possible estimation and are subject to corresponding uncertainties.

The write-downs over time are as follows:

	n	n+1	n+2	n+3	n+4	n+5	n+6	n+7
Carrying value	100.0%	85.7%	71.4%	57.1%	42.9%	28.6%	14.3%	0.0%
Write-down as ratio of carrying value		14.3%	16.7%	20.0%	25.0%	33.3%	50.0%	100.0%

Above and beyond the write-downs, on the respective balance sheet date the Company tests the inventory of domains for the presence of signs of a sharper decline in the net disposal values than that indicated by the write-downs. To take this circumstance into account, the existing method for the marketability analysis was supplemented so that quadruple the sales proceeds of the previous year (based on annualized figures) should cover the carrying values of the respective domain portfolios. For further information please refer to Note 17 “Inventories”. Besides the marketability analysis, the Company also examines the recurring maintenance costs, the so-called registration costs, with the objective of reducing them.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, other investments, checks and cash in hand, which all have a high degree of liquidity and maturities of less than three months – calculated from the date of purchase.

Financial liabilities

Interest-bearing loans

Loans are recognized initially at the fair value of the performance received less transaction costs involved with borrowing.

Following initial recognition, interest-bearing loans are valued using the effective interest method at amortized cost.

Profits and losses are recognized when the debts are eliminated and in the course of amortization.

Financial liabilities carried at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss include held-for-trading financial liabilities and other financial liabilities classified on initial recognition as financial liabilities carried at fair value through profit or loss. As in the previous year, the Group held no financial liabilities carried at fair value through profit or loss as of December 31, 2010.

Trade payables

Payables are carried at fair value on initial recognition. Following initial recognition, payables are valued using the effective interest method at amortized cost.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from a financial asset have expired.

Financial liabilities

A financial liability is derecognized when the underlying commitment of this liability has been fulfilled or terminated or expired.

If an existing financial liability is replaced by a different financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying values is recognized in the income statement.

Provisions

Provisions are formed if the Company has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. If the Group expects at least partial compensation for a recognized provision, this compensation is only recognized as a separate asset if the reimbursement is virtually certain. The expense to form the provision is only recognized in the income statement after deduction of the reimbursement. If the interest effect from discounting is significant, provisions are discounted at a pre-tax interest rate which reflects the specific risk of the debt, if so required by the individual case. In the event of a discount, the increase in provisions caused by the passage of time is recognized in financial expenses.

Employee stock ownership plans

The treatment of employee stock ownership plans is regulated in IFRS 2 (Share-based Payment). The respective balancing entry for personnel expenses of the Company’s employee stock ownership plans is made in capital reserves, as the plans are carried as stock-based remuneration plans with settlement via equity instruments.

It should be noted that in the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the Company is legally forbidden to issue shares), or cash settlement was common business practice or the declared Company guideline in the past, or is today.

The current employee stock ownership plan, based on virtual stock options (so-called Stock Appreciation Rights or SARs), is such a stock-based remuneration plan with contractual choice. This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

In the case of plans with settlement via equity instruments, the value components are determined on the grant date, also for subsequent valuation until maturity, and fair value is determined as of the time of granting. On every valuation date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount in the current fiscal year under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available.

The compensation cost for the Company’s employee stock ownership plans granted to employees is calculated on the basis of option price models (generally binomial models).

Leasing

Leasing contracts are operating leases, whereby the Company acts exclusively as lessee. Leasing objects are carried in the balance sheet of the lessor, as the beneficial owner. The respective leasing charges are therefore expensed over the leasing period.

Taxes

Actual claims to income tax refunds and income tax due

The tax expense of a period comprises current and deferred taxes. Taxes are recognized in the income statement, unless they relate to items which are recognized directly in equity or in other comprehensive income.

The current tax expense is calculated according to the tax regulations – valid on the balance sheet date or soon to be valid – of those countries in which subsidiaries and associated companies operate and generate taxable income. Management regularly checks tax declarations, especially with regard to content open to interpretation, and if necessary forms provisions based on the amounts expected to be submitted to the tax authorities.

Deferred taxes

According to IAS 12 "Income Taxes", deferred taxes are to be formed for temporary differences between the carrying value of assets and liabilities in the balance sheet and their fiscal carrying value (Liability Method). Deferred tax assets and liabilities are formed for temporary differences which may lead to taxable or deductible amounts when calculating the taxable income of future periods, unless the different carrying amounts result from initial recognition of an asset or liability for a business transaction other than a business combination and which influenced neither pre-tax earnings nor taxable income at the time of the transaction (Initial Differences).

Deferred tax assets resulting from temporary differences in connection with investments in subsidiaries and associated companies are recognized unless the timing of the reversal of temporary differences can be determined by the Group and it is probable that the temporary differences will not reverse in the foreseeable future as a result of this influence.

Deferred taxes are measured using the tax rates (and tax regulations) which apply on the balance sheet date or which have been generally adopted and whose validity is expected at the time when deferred tax assets are recognized or deferred tax liabilities are settled. The effect of changes in tax rates and tax regulations on tax assets and liabilities are generally considered in profit or loss, unless the deferred tax assets and liabilities are formed without affecting net income.

Deferred tax assets and liabilities are netted if there is a correspondingly enforceable legal claim to netting and if the deferred tax assets and liabilities refer to income taxes levied by the same tax authority, either for the same tax subject or different tax subjects, who intend to settle the amount on a net basis.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included under “Other current assets” or “Other liabilities” in the consolidated balance sheet.

2.5 Significant accounting judgments and estimates

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain accounting judgments, estimates and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the balance sheet date. Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying values of the assets and liabilities concerned.

The most important forward-looking assumptions and other major sources of uncertainty as of the balance sheet date, which involve the risk of significant adjustments to the carrying values of assets and liabilities in future periods, are explained below.

Impairment of non-financial assets

The Group assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. Goodwill and other intangible assets with non-definable useful lives are assessed at least once a year. Irrespective of this annual assessment, an impairment test of non-financial assets is always conducted if there is any indication that the carrying value exceeds the recoverable amount.

In order to estimate the recoverable amount (i.e. value in use or fair value) of the cash-generating unit or asset, management must estimate expected future cash flows and select a suitable discount rate to assess the present value of these cash flows. See Note 10 “Impairment of goodwill and intangible assets with unlimited useful lives” for further details.

Significant management assumptions with regard to determining the fair value of goodwill include assumptions concerning the development of sales, of margins and of the discounted interest rate, and for the valuation of trademarks with non-definable useful lives assumptions concerning alternative licensing rates, and the development of sales and the discounted interest rate.

Deferred tax assets

IAS 12 requires that deferred tax assets are formed for all unused tax loss carry-forwards and tax credits. Deferred tax assets are carried in the amount that it is probable that taxable income will be available against which the temporary differences and unused tax losses can be used. Individual company units are assessed individually as to whether it is probable that there will be a positive tax result.

Share-based payments

The cost of share-based payments in the form of equity instruments as remuneration for the work of employees (see Note 29 “Employee stock ownership plans”) is measured using the fair value of these equity instruments at the moment they were granted. A suitable and recognized option pricing model is used to estimate their fair value. The calculation is based on assumptions regarding the expected option term, dividend yield and volatility. In accordance with the long-term nature of such remuneration agreements, such estimates are subject to considerable uncertainties.

The assumed option maturities and dividend returns are based on historical data and estimations, and thus do not necessarily correspond to the actual future exercise behavior of beneficiaries or actual achieved dividend returns. Expected volatility is based on historical volatility and the assumption that historical volatility is the best indicator of future development. Actual volatility can thus differ from assumptions.

Virtual stock option programs also require an assumption on how claims from share-based payments are to be settled, which may not necessarily occur in this way at the time of settlement.

The expenses to be recognized in future in the income statement, as calculated on the basis of the assumptions and estimations made, amount to EUR 200k as of December 31, 2010 (previous year: EUR 422k).

Impairment of financial assets

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the impairment volume with regard to expected payment behavior and creditworthiness of customers are subject to significant uncertainties. As of the balance sheet date, adjustments of EUR 1,856k (previous year: EUR 2,000k) were made. For further details, please refer to Note 16 “Trade accounts receivable”.

Useful lives of tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to future technological developments. The classification of the useful life of an intangible asset as unlimited is an assumption based on available information and management expectations as of the balance sheet date and subject to uncertainties with regard to future developments.

Write-downs for inventories (domains)

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less expected necessary costs up to the time of sale. As the holding period of the domains increases (> 12 months), the Company makes write-downs which increase over time. Both the size and distribution over time of such write-downs represents a best-possible estimation of net realizable value and is thus subject to uncertainties. The carrying values of inventories as of the balance sheet date amounted to EUR 2,438k (previous year: EUR 5,591k). For further details, please refer to Note 17 “Inventories”.

Accounting for business combinations

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

However, assumptions made to determine the respective fair value of these assets and liabilities as of the date of acquisition are subject to significant uncertainties. For the identification of intangible assets, depending on the type of intangible asset and complexity of determining its fair value, the Company either uses the independent appraisal of an external assessor or fair value is determined internally using a suitable assessment technique, generally based on a forecast of total expected future cash flow generation. These valuations are closely related to assumptions which management has made about the future development of the respective assets and the applicable discounted interest rate.

The carrying values of goodwill as of the balance sheet date amounted to EUR 75,650k (previous year: EUR 75,643k). The carrying values of intangible assets resulting from business combinations (excluding goodwill) amounted to EUR 1,015k) as of the balance sheet date (previous year: EUR 2,018k).

Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. Further details are provided in Note 27 “Other accrued liabilities”.

3. Corporate Transactions

Transactions in the 2010 fiscal year

Full consolidation of Intellectual Property Management Company Inc.

Sedo GmbH holds 49% of the shares in Intellectual Property Management Company Inc. ("IPMC") based in Dover, Delaware, USA. Until December 31, 2009 the company was shown in the balance as an associated company at equity. In addition, Sedo GmbH holds a purchase option for another 32% of the shares which has been exercisable since January 1st, 2010. Already the possibility of exercising the option is, according to IAS 27 “Consolidated and Separate Financial Statements” , that the company as of the 2010 fiscal year is included in the consolidated accounts as a fully-consolidated company.

The counter-performance provided is EUR 86k and is made up as follows:

Figures in EURk	**2010**
Conditional purchase price payment	14
Termination of carrying value of at equity share	72
Counter-performance provided	86

The acquired net assets amounted to EUR -155k. In this connection, no adjustment was made to the carrying values which had been applied at the time of the first consolidation. Taking into consideration the minority interest shares of EUR 79k, the full consolidation led to goodwill of EUR 162k. On the basis of current planning data of the Company, at the end of the year there was an impairment need, so that the goodwill in fiscal 2010 was completely written-down.

In fiscal 2010 sales revenues of EUR 403k as well as an annual deficit of IPMC amounting to EUR 308k were included in the consolidated financial statement.

Acquisition of further shares in DomainsBot S.r.l.

On August 11, 2010, Sedo GmbH acquired a further 9% of the shares in DomainsBot S.r.l., Rome, Italy. The purchase price was EUR 67,200. As a result, Sedo GmbH now holds 49% of the shares. The company will continue to be included in the consolidated financial statement as an associated company according to the equity method.

In addition, in the 2010 fiscal year, DomainsBot Inc., San Francisco/California, USA, a 100%-subsidary of DomainsBot S.r.l., was founded. The company will also be included as an associated company according to the equity method.

Transactions in fiscal 2009

Sale of Display Marketing activities to Hi-media S.A.

Sedo Holding AG and Hi-media S.A. signed a business combination agreement on July 6, 2009. Under the terms of this agreement, Sedo Holding AG sold its Display Marketing segment (with the brands AdLINK Media, composite and net:dialogs) to Hi-media S.A. The transaction was closed on August 31, 2009.

Sedo Holding AG received 10.7% of shares in Hi-media S.A. (4,735,000 shares) and an additional EUR 12,194,828.00 in cash as the purchase price. In the case of the cash component, Sedo Holding AG granted Hi-media S.A. a vendor loan at a standard market interest rate. The loan is to be repaid no later than June 30, 2011 and is disclosed under current financial assets (see also Note 19 “Other financial assets (short-term)”). After the purchase price adjustment was finally determined, the total purchase amounted to EUR 28,571,244. The purchase price adjustment was paid cash and had no influence on the cash component as well as the number of shares

As a result of the sale of the Display Marketing segment, the results of this segment are disclosed as separate items in the statement of comprehensive income, in accordance with IFRS 5. The prior-year figures of the statement of comprehensive income and the cash flow statement were adjusted accordingly. The classification as discontinued operations was made on the date of the contract conclusion. The results of the units sold are included in the result of the discontinued operation until the date of sale (August 31, 2009).

The result component attributable to discontinued operations carried in the income statement is shown below:

Figures in EURk	2010	2009 adjusted
Sales revenue	1,179	37,167
Cost of sales	-1,218	-30,761
Gross profit	-39	6,406
Selling and administrative expenses	-94	-7,125
Other income and expenses	2,161	-862
Financial result	-	2
Result before taxes	2,028	-1,579
Attributable income taxes	-500	1,033
Current result from discontinued operations	1,528	-546
Result from disposal of discontinued operations	-	22,128
Attributable income taxes	-	-248
Result from discontinued operations	1,528	21,334

As a result of further relevant facts becoming known, the comparative values of the consolidated financial statement for 2009 were amended retrospectively. In this connection, taxation details were retrospectively valued differently, so that an adjustment of the tax provisions formed of EUR 753k was made. Essentially this involved the tax-relevance of a provision as well as the taxation on partial impairments of shares in associated companies, which were sold to Hi-media S.A. Resulting from these adjustments, in addition deferred tax assets of EUR 491k were liquidated, which were formed on an originally existing temporary difference. The adjustment of the previous year's figure is made up as follows:

	2009 EUR
Result of discontinued operations – as reported	21,072
Adjustment tax provisions	753
Adjustment deferred tax assets	-491
Result from discontinued operations – adjusted	21,334

The sales revenues and sales costs in fiscal 2010 result from long-term contracts and largely concern the provision of DART services for the former subsidiary companies of Sedo Holding AG. The other operating income results largely from the writing-off of a liability booked in the previous year as a result of an adverse contractual obligation as well as the adjustment of a provision on the basis of a new estimate of the managements.

The disposal result of fiscal 2009 is calculated as follows:

Figures in EURk	2009
Purchase price (cash component)	12,195
Purchase price (shares)	20,313
Purchase price	-3,937
Purchase price, total	28,571
Derecognition of goodwill	-3,630
Derecognition of net debt	2,383
Derecognition of currency translation items	-333
Impairment of non-current assets	-63
Ancilliary transaction costs	-4,800
Profit from the disposal of discontinued operations	22,128

The derecognition of net debt of discontinued operations is calculated as follows:

Figures in EURk

Intangible assets	15
Property, plant and equipment	504
Trade accounts receivable	20,902
Other non-financial assets	581
Cash and cash equivalents	1,156
Trade accounts payable	22,038
Other liabilities	2,650
Provisions	325
Currency translation adjustments	528
Net debt	2,383

Sale of shares in Hi-media S.A.

The 10.7% equity interest (4,735,000 shares) acquired in Hi-media S.A. in a contract dated July 6, 2009 was sold to United Internet Beteiligungen GmbH, Montabaur, in a purchase contract dated September 29, 2009. The purchase price was determined on the basis of the Euronext closing price (EUR 4.59) of September 28, 2009. The resulting total purchase price of EUR 21,733,650 was received by Sedo holding AG on September 30, 2009 and used to reduce financial liabilities. The Group made a profit of EUR 1,420,500 on the sale, which is contained in “Other operating income”.

Sale of shares in Goldbach Media AG

In a contract dated September 29, 2009 Sedo Holding AG sold all its shares held in Goldbach Media AG (898,970 shares) to United Internet Beteiligungen GmbH, Montabaur. The purchase price totaled EUR 23,330,069.00, based on the SIX Swiss Exchange closing rate on September 29, 2009 of CHF 39.25 and the reference exchange rate of the German Federal Bank (Bundesbank) of 1.5124 CHF/EUR (EUR 29.952 per share). The Group made a profit of EUR 11,283,266 on the sale, which is contained in “Other operating income”.

The purchase price was received by the Company on September 30, 2009 and used to reduce financial liabilities.

Acquisition of the business of RevenueDirect.com

On February 25, 2009 a contract was signed between Sedo USA and Dotster Inc., Vancouver (Washington) / USA and Registrarads Inc., Vancouver (Washington) / USA to acquire the domain parking business of “RevenueDirect.com”. As part of the purchase agreement, the customer base, the RevenueDirect brand and all attendant software of the domain parking service supplier were acquired.

The acquisition costs amount to EUR 573k (USD 825k); no ancillary acquisition costs were incurred. The following values were included in the consolidated interim financial statements:

Figures in EURk	**Carrying values at time of acquisition**	**Adjustments**	**Fair value at time of acquisition**
Goodwill	-	84	84
Other intangible assets	573	221	794
Total acquired assets	**573**	**305**	**878**
Deferred tax liabilities	-	305	305
Total acquired liabilities	**-**	**305**	**305**
Purchase price			573
of which settled in fiscal year 2009 by means of cash and cash equivalents			**573**

The figures in accordance with IFRS 3.67 (i) as well as IFRS 3.70 were not made, as only assets were acquired from RevenueDirect, however, these were completely integrated into the existing units. As a result, there was no separate registration of the effects associated with it in the comprehensive income statement.

Purchase agreement to acquire the remaining minority shares in Sedo GmbH

In a notarized contract dated September 29, 2009 the remaining minority shareholders of Sedo GmbH, Cologne, agreed to transfer all shares held by them (in total 24.06%) to Sedo Holding AG in return for the subscription of 4,250,000 new shares in Sedo Holding AG and a cash component of EUR 5.5 million. The assignment of the shares is conditional on the registration of the completed capital increase of Sedo Holding AG in the Commercial Register and payment of the cash component. The transaction was entered in the Commercial Register on November 20, 2009. Based on a share price of Sedo Holding AG on this day of EUR 3.20, the total value of the transaction amounted to EUR 19.1 million.

The acquisition led to an increase in capital stock (EUR 4,250k) and capital reserves (EUR 9,350k) as a result of the mixed non-cash capital increase of EUR 13,600k and an increase in goodwill of EUR 14,794k, after netting with the previously disclosed minority interest in equity of EUR 4,306k.

With the purchase agreement, the existing commitment to pay a guaranteed dividend was cancelled. The related liability carried in the balance sheet of EUR 706k was reversed with an effect on net income. Otherwise, there were no significant effects on the income statement due to the existing full allocation of profits of Sedo GmbH to consolidated earnings resulting from a profit transfer agreement in return for compensation (guaranteed dividend).

Notes on the Statement of Comprehensive Income

In the wake of the sale of the media business and the associated reorientation of the Group on performance-oriented business models, in the second quarter of 2010 the departments of all companies were re-assigned to the functional areas. As a result there has been a shift from administration to sales functions. As a result of this, the assignment of costs in the Statement of Comprehensive Income was also changed, leading to a corresponding shift from administration costs to selling costs.

The total of sales and administrative costs in the 2010 fiscal year amounted to EUR 20,621k, following a figure of EUR 20,229k in the previous year. The expenditure quota in relation to the sales revenue increased from 14.9% in the 2009 fiscal year to 17.8% in the report period. The increase in the expenditure quota results primarily from the decline in sales revenue in comparison with the 2009 fiscal year, which essentially is the result of the changed contractual relationship with a large customer of Affiliate Marketing. As a result of the changed sales mix, however, it was possible to report an increase in the gross margin.

4. Cost of sales

Figures in EURk	**2010**	**2009**
Direct product costs	80,082	98,841
Impairment of inventories	3,383	1,242
Personnel expenditure	6,093	5,378
Depreciation	230	402
Other costs	1,429	1,291
	91,217	**107,154**

Direct product costs consist mainly of payments to domain owners and affiliates. Cost of sales decreased in line with the decline in sales revenues. Relative to sales the expenditure quota was reduced from 79.2% to 78.6%. For an explanation of impairments to inventories reference is made to Note 17 “Inventories”.

5. Selling expenses

Figures in EURk	**2010**	**2009**
Personnel expenses	7,949	4,921
Depreciation	360	301
Other costs	3,393	2,376
	11,702	**7,598**

As a result of previously-mentioned reorganization of the operating functions and the strengthening of the sales area at the expense of the administration area, the selling expenses have increased sharply The expenditure quota in comparison to sales was 10.1% (previous year: 5.6%).

6. General and administrative expenses

Figures in EURk	**2010**	**2009**
Personnel expenses	4,296	7,559
Depreciation	410	556
Other costs	4,213	4,516
	8,919	**12,631**

As a result of previously-mentioned reorganization of the operating functions and the strengthening of the sales area at the expense of the administration area, the administrative expenses declined sharply compared to the previous year. The expenditure quota in comparison to sales was 7.7% (previous year: 9.3%).

7. Other operating expenses

Figures in EURk	2010	2009
Currency losses	3,603	3,585
Accounts receivable losses and new allowances for trade receivables	470	754
Other	328	320
	4,253	**4,659**

Other operating expenses fell by EUR 0.3 million compared to the previous year. This was mainly due to lower losses on accounts receivable as well as new allowances for accounts receivable.

8. Other operating income

Figures in EURk	2010	2009
Currency gains	3,508	3,941
Reversal of allowances for trade receivables	518	171
Income from the reversal of provisions for Litigation risks and compensation	-	140
Disposal income Goldbach Media AG	-	11,283
Disposal income Hi-media S.A.	-	1,421
Other	227	1,719
	4,253	**18,675**

Other operating income decreased sharply from EUR 18.7 million in the 2009 fiscal year to EUR 4.3 million. The previous year was largely characterized by the income from the sale of shares in Goldbach Media AG and Hi-media S.A. totaling EUR 12.7 million.

9. Amortization of capitalized intangible assets resulting from business combinations

Amortization of individual assets was as follows:

Figures in EURk	2010	2009
Customer base	824	1,130
Internet platform	94	376
Software	80	328
Trademarks	54	43
	1,052	**1,877**

Amortization of capitalized intangible assets resulting from business combinations is disclosed separately in the income statement. There is no assignment to individual functional divisions.

10. Impairment of goodwill and intangible assets with unlimited useful lives

Goodwill

Goodwill is to be subjected to an impairment test at least once a year. As in the previous year, a scheduled review was conducted on the balance sheet date. The review was made on the level of the cash-generating units to which goodwill has been assigned. The Group has defined four cash-generating units in total. In affiliate marketing these correspond to the respective subsidiaries of Sedo Holding AG. In domain marketing, on the one hand, the entire Sedo sub-group, on the other IPMC which, as a fully-consolidated company, has been included in the consolidated financial statement since January 1, 2010, are defined as cash-generating units.

	Carrying value on Jan. 1, 2009	Additions	Disposals	Carrying value on Dec. 31, 2009	Additions	Depreciations	Difference from currency translation	Carrying value on Dec. 31, 2010
Affiliate-Marketing	**18,571**	**-**	**-**	**18,571**	**-**	**-**	**-**	**18,571**
affilinet Germany	11,917	-	-	11,917	-	-	-	11,917
affilinet France	6,654	-	-	6,654	-	-	-	6,654
Domain-Marketing	**42,193**	**14,879**	**-**	**57,072**	**162**	**-162**	**7**	**57,079**
Sedo Germany	42,193	14,879	-	57,072	-	-	7	57,079
IPMC	-	-	-	-	162	-162	-	-
Continued operations	**60,764**	**14,879**	**-**	**75,643**	**162**	**-162**	**7**	**75,650**
Display-Marketing	**3,630**	**-**	**-3,630**	**-**	**-**	**-**	**-**	**-**
(Discontinued operations)								
AdLINK Media Germany	-	-	-	-	-	-	-	-
AdLINK Media Belgium	440	-	-440	-	-	-	-	-
AdLINK Media France	-	-	-	-	-	-	-	-
AdLINK Media Italy	264	-	-264	-	-	-	-	-
AdLINK Media Netherland	1,200	-	-1,200	-	-	-	-	-
AdLINK Media Spain	1,726	-	-1,726	-	-	-	-	-
Total goodwill	**64,394**	**14,879**	**-3,630**	**75,643**	**162**	**-162**	**7**	**75,650**

For the purposes of the test, the obtainable amount of the cash-generating units was determined on the basis of the calculation of a utilization value making use of cash-flow forecasts. The determination of the utilization value is based on the planning for the fiscal year 2011 for the respective cash-generating unit which has been approved by the management, as well as a management assessment for the following three years. Cash-flows occurring following the planning period of four years are extrapolated with the application of growth rate of 1.5% (previous year 2.0%).

The determination of the utilization value was made on the basis of a discounted cash-flow assessment. The discount rate before tax used for cash-flow forecasts varies according to cash-generating unit in a range between 9% and 12% (previous year 13% to 14%). The calculation of the discount rate takes into account the specific circumstances of the Group and is based on its average weighted capital costs (WACC). The average weighted capital costs take into account both the external and the equity capital. The company-specific risk is taken into consideration through the application of individual beta factors which are determined annually on the basis of the publicly accessible market data.

The values flowing into the planning are based on numerous assumptions, so that the determination of the utilization value is dependent on these assumptions (see also Note 2.5 “Significant accounting judgments and estimates”). The range of the most important parameters are shown in the following table.

Main assumptions		**2011**	**2012**	**2013**	**2014**	**>2014**
Sales growth	Max	19.32%	10.00%	10.00%	10.00%	1.50%
	Min	4.38%	-1.00%	-1.00%	0.00%	1.50%
Profit margin growth	Max	8.8	0.5	2.2	1.6	0.0
(in percentage points)	Min	-1.7	-0.1	-0.5	0.0	0.0

Main assumptions previous year		**2010**	**2011**	**2012**	**2013**	**>2013**
Sales growth	Max	13.28%	24.42%	26.80%	22.50%	2.00%
	Min	-22.18%	18.38%	13.00%	13.05%	2.00%
Profit margin growth	Max	5.19	0.01	3.90	-0.50	0.00
(in percentage points)	Min	-1.30	-2.85	-3.84	-2.90	0.00

Within the context of the scheduled examination on the balance sheet date, impairments of EUR 162k were established in the goodwill of IPMC. For the other goodwill, as in the previous year, there was no need for impairment.

Sensitivity of the assumptions made

The management is of the opinion that in accordance with sensible estimates, there is currently no cause for change to any of the basic assumptions made for the determination utilization value of the cash-generating unit "affilinet Germany" which could lead to the fact that the carrying value of the cash-generating unit exceeds its achievable amount. For the cash-generating unit "affilinet France" the achievable amount only insignificantly exceeds the carrying value, so that a negative change of one of the essential assumptions made would lead to an impairment. At the cash-generating unit "Sedo sub-group", the carrying value is more clearly exceeded by the recoverable amount. Essential deviations from the assumptions made could, however, also lead here to a reduction of the value-in-use. The management, however, classifies the risk as low at present.

Trademark rights

For the impairment test of trademarks with unlimited useful lives, the so-called “royalty relief” method was applied. The sales forecasts and underlying assumptions for goodwill were used as the basis. Royalties were stated at 4% (previous year: 4%). The tax amortization benefit factor was calculated on the basis of the unit which the trademark was allocated to. The asset-specific discount rate amounted to 8.75% (previous year: 12.53%). The review resulted in no impairment (previous year: EUR 79k). The impairment is recognized as a cost of sales. The carrying values of intangible assets classified as having unlimited useful lives developed as follows in the period under review:

In EURk	**Carrying value on Jan. 01, 2009**	**Currency translation differences**	**Change**	**Carrying value on Dec. 31, 2009**	**Currency translation differences**	**Carrying value on Dec. 31, 2010**
affilinet®	433	n/a	-	433	n/a	433
Sedo®	179	n/a	-	179	n/a	179
GreatDomains®	125	40	-79	86	-33	53
	737	40	-79	698	-33	665

11. Financial result

Figures in EURk	2010	2009
Interest expense for loans and overdraft facilities from third parties	-258	-1.064
Interest expense from the guaranteed dividend to minority shareholders	-	-26
Interest expense	**-258**	**-1.090**
Interest income from credit balances with banks and other interest income	48	59
Interest income from loan receivable	507	150
Interest income	**555**	**209**
Interest result	**297**	**-881**
Dividends	-	339
Other financial result	**-**	**339**
Financial result	**297**	**-542**

After the finance liabilities of the Group were almost completely paid off in the third quarter 2009 and the existing credit lines were only made use of to cover peaks in the 2010 fiscal year, the financial result improved considerably from EUR -542k to EUR 297k. The interest expenditure essentially contains registration fees as well as interest for the short-term recourse to the credit lines as well as advances on account.

The interest revenue from the loan receivable results from the vendor loan granted to Hi-media S.A. (see also Note 3 “Corporate transactions”).

12. Shares and result of associated companies

Figures in EURk	2010	2009
Carrying value at the beginning of the fiscal year	899	1,153
Additions	67	-
Disposals	-72	-
Earnings contributions	62	-254
Carrying value at the end of the fiscal year	956	899

The additions in the 2010 fiscal year concern the acquisition of a further 9% of the shares in the DomainsBot, as a result of which Sedo GmbH now holds 49% of the shares. The disposals concern the carrying value of IPMC which has been included in the consolidated accounts as a fully-consolidated company since the 2010 fiscal year. For further information we refer to Note 3. “Corporate transactions”.

The result of the associated companies is made up as follows.

Figures in EURk	Share	2010	2009
DomainsBot	49% (up to Aug. 10, 2010 40 %)	62	6
IPMC	49%	-	-260
At-equity result		62	-254

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

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009
Balance sheet figures (pro rata acc. to shareholding)		
Current assets	423	163
Non-current assets	61	52
Current debts	119	31
Non-current debts	-	-
Equity	365	184
P&L figures (pro rata acc. to shareholding)		
Sales revenue	379	456
Period result	62	-254

13. Income taxes and deferred taxes

Income taxes for the period under review are composed as follows:

Figures in EURk	2010	2009 adjusted
Income taxes for earlier periods	47	-902
Income taxes for the current period	-3,388	-4,353
Change in deferred tax liabilities	357	299
Change in deferred tax assets	770	-483
	-2,214	-5,439

Through the revelation of facts which cast a new light on values, the comparative values of the consolidated accounts for 2009 were retrospectively amended. Tax details were thereby judged differently in retrospect, so that an adjustment of the provision formed for tax liabilities of EUR 134k was made. In addition, a correction of the recording in the balance sheet of advance payment of both corporation and trade taxes for the year 2009 was made, increasing tax expenditure by EUR 1,581k.

Figures in EURk	2009
Income taxes - as reported	-3,992
Adjustment to tax provisions	134
Correction accounting of tax pre-payments	-1,581
Income taxes - adjusted	-5,439

Under German tax law, income taxes comprise corporate income tax and trade earnings tax together with the solidarity surcharge. As a result of the German Corporate Tax Reform 2008, the corporation tax rate was reduced to 15.0% as of January 1, 2008 (plus a solidarity surcharge of 5.5%).

German trade tax on income is levied on a company’s taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The average trade tax burden before additional expenses of the German companies was 14.8% (previous year: 14.8%).

The Group tax rate of 32.1% (previous year: 30.6%) for the current fiscal year results from the currently valid corporate tax rate, including solidarity surcharge and the trade tax burden.

The aggregate tax rate is reconciled to the Company's effective tax rate as follows:

Figures in EURk	2010	2009 adjusted
Result before tax from continued operations	3,255	19,272
Tax rate	32.10%	30.60%
Anticipated income tax expense	-1,045	-5,897
Goodwill amortization non-deductible for tax purposes	-52	-
Recognized impairments non-deductible for tax purposes	-	-404
Non-recognition of deferred tax assets on loss carry-forwards of the reporting period	-497	-182
Differences in the tax rates between Sedo Holding AG and the subsidiaries	-272	-216
Income, expenses and other effects non-deductible for tax purposes	-392	2,434
Deviation due to the measurement basis for trade tax	-23	-194
Non-taxable at-equity results	20	-78
Actual taxes relating to other periods	47	-902
Actual income tax expense	-2,214	-5,439

Income and expenses non-deductible for tax purposes result mainly from the earnings of the disposal of Hi-media S.A. and Goldbach Media AG shares.

In fiscal year 2010 there was tax expense of EUR 500k from discontinued operations, resulting from the derecognition of a liability or the adjustment of a provision, whereas in the previous year there was tax income of EUR 785k (adjusted).

In fiscal years 2010 and 2009 there were no reversals from temporary differences due to matters which did not lead to the carrying of deferred tax assets or liabilities in the past.

In accordance with IAS 1, the short-term portions of deferred tax assets and liabilities are disclosed in the balance sheet under non-current assets and liabilities.

The Group's deferred tax assets are made up as follows:

Figures in EURk	Dec 31, 2010	Dec. 31, 2009 adjusted
Deferred tax assets due to		
- tax loss carry-forwards	353	253
- differing carrying amounts and consolidation adjustments	1,610	673
Total deferred tax assets	1,963	926
Deferred tax liabilities due to		
- differing carrying amounts and consolidation adjustments	340	678
Total deferred tax liabilities	340	678

Deferred tax assets

As at December 31, 2010, deferred tax assets totaling EUR 2.0 million (2009: EUR 0.9 million) were recognized by certain Group companies, which resulted solely from net recoverable temporary differences. The realizability of these deferred tax assets depends on the positive taxable income of the underlying planning.

In the 2010 fiscal year no recourse was made to tax loss carry-forwards (2009: EUR 1.1 million). The total amount of non-capitalized deferred tax taxes for loss carry-forwards amounts to EUR 1.6 million (previous year: EUR 1.1 million), the total amount of capitalized deferred tax taxes for loss carry-forwards is EUR 0.4 million (previous year: EUR 0.3 million). The Company assumes that these loss carry-forwards will be made use of in the next five years.

The change in deferred tax assets was as follows:

Figures in EURk	2010	2009 adjusted
Carrying value at beginning of the fiscal year	926	1,899
New recognition	1,431	403
Utilization	394	1,157
Disposal acc. to IFRS 5	-	219
Carrying value at end of fiscal year	1,963	926

As of the balance sheet date, there were only loss carry-forwards of Response Republic Beteiligungsgesellschaft Deutschland GmbH amounting to EUR 3.6 million (previous year: EUR 3.6 million, which cannot be used due to the existing profit transfer agreement with Sedo Holding AG. In addition, there were loss carry-forwards at affilnet Ltd., as well as affilnet France SAS; for the latter, deferred tax assets of EUR 353k (previous year: EUR 253k) were formed as of the balance sheet date.

Deferred tax liabilities

Deferred tax liabilities of EUR 340 (previous year: EUR 678k) result from the different treatment of capitalized intangible assets from business combinations according to IFRS and in the tax balance sheet. The change compared to the previous year, amounting to EUR 338k results from reversals according to depreciation recognized in the period under review.

14. Earnings per share

“Undiluted” or basic earnings per share are calculated by dividing the result attributable to the holders of registered shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable conversion rights of convertible bonds is-sued and stock ownership plans had been exercised.

On December 31, 2010, capital stock was divided into 30,455,890 registered no-par value shares having a theoretical share in the capital stock of EUR 1.00 (previous year: 30,455,890). As in the previous year, the Company held no treasury shares as of December 31, 2010. The weighted average number of shares used for the calculation amounted to 30,455,290 (previous year: 26,694,931) for the 2010 fiscal year. Based on this number of units results in undiluted earnings per share of EUR 0.08 (previous year: EUR 1.32).

As a result of the retrospective adjustment for the comparable period of 2009 (for further information please refer to Note 3 “Corporate transactions” and 13 “Income tax expenditure and deferred taxes” the result per share in the 2009 fiscal year was reduced from EUR 1.36 to EUR 1.32.

Conversion rights must only be taken into consideration if there is a possible dilutive effect. All conversion rights existing on December 31, 2010 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the conversion rights were in money and irrespective of whether the conversion rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration. Although the conversion rights as at December 31, 2010 were in the money, there were no dilutive effects, as the Company would have been in a position to completely serve the holders of conversion rights with the potential new shares through the acquisition of treasury shares. As the conversion rights as at December 31, 2009 were not in the money, no dilutive effects were considered. As a result, undiluted earnings per share of EUR 1.32 correspond to diluted earnings per share. In the case of a negative result, a dilutive effect does not need to be considered as the higher number of shares would result in an improvement of earnings per share.

Notes to the Balance Sheet

15. Cash and cash equivalents

Figures in EURk	**Dec. 31, 2010**	**Dec. 31, 2009**
Cash and cash equivalents	6,316	6,548

Cash and cash equivalents generally have variable interest rates for call money accounts.

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

16. Trade accounts receivable

Figures in EURk	**Dec 31, 2010**	**Dec. 31, 2009**
Trade accounts receivable from third parties	16,427	13,672
Bad debt allowances	-1,856	-2,000
Trade accounts receivable, net	14,571	11,672
Receivables from affiliated companies	52	27
Total trade accounts receivable, net	14,623	11,699

Trade accounts receivable do not bear interest and, depending on their geographic origin, are due between 30 and 90 days. The development of individual allowances in the period under review can be seen below:

Figures in EURk	**2010**	**2009**
Allowances at the beginning of the fiscal year	2,000	2,039
Utilization	-235	-212
Reversals	-518	-128
Additions	614	1,143
Changes in the consolidated group	-	-831
Effects of exchange rate changes	-5	-11
Allowances at the end of the fiscal year	1,856	2,000

The expense for the net balance from additions and reversals of allowances, amounts to EUR 96k in the 2010 fiscal year (previous year: EUR 1,015k), of which EUR 173k (previous year: EUR 435k) is attributable to discontinued operations. All income and expenses from allowances and elimination of trade accounts receivable during the year are disclosed in the income statement under “Other operating income and expenses”.

The age structure of the non-impaired trade accounts receivable as of the balance sheet date is as follows:

Figures in EURk	Trade accounts receivable from third parties as of Dec. 31,		Trade accounts receivable from affiliated companies as of Dec. 31,	
	2010	2009	2010	2009
Neither impaired nor overdue as of the balance sheet date	9,438	8,670	51	27
Not impaired as of the balance sheet date and overdue in the following time periods				
less than 30 days	2,203	1,986	0	-
between 31 and 60 days	1,507	626	1	-
between 61 and 90 days	895	356	0	-
between 91 and 120 days	-	-	0	-
more than 120 days	-	-	0	-
Total	4,605	2,968	0	-
Individually adjusted receivables (net)	528	34	0	-
Carrying amount (net)	14,571	11,672	52	27

17. Inventories

Inventories consist exclusively of a tradable portfolio of acquired domains, classified as available-for-sale. The amount included as sales costs in the reporting period amounted to EUR 4,562k (previous year: EUR 2,587k). This consists of registration costs as well as use of goods for sold domains of EUR 1,179k (previous year: EUR 1,345k) as well as EUR 3,383k (previous year: EUR 1,242k) for recorded impairments of the domain inventories. At the end of the year 2010, the estimates and assumptions with respect to the marketability depreciations for the domains were checked and, thereby, an increased impairment need was established which led to an unscheduled impairment amounting to EUR 2,746k.

18. Other non-financial assets

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009
Registration fees for domains	310	291
Rent and associated costs	20	57
EDP & phone costs (Software/rent)	44	53
Other prepaid services	188	180
	562	581

19. Other financial assets (short-term)

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009 adjusted
Vendor loan	12,195	-
Accounts receivable from the tax office from income tax	1,122	1,136
Accounts receivable from the tax office for other taxes	478	1,021
Security deposits	103	67
Accounts receivable from employees	6	-
Limited interest receivable vendor loan	277	150
Other	140	214
	14,321	2,588

The increase in the other current financial assets results from the reclassification of the vendor loan of EUR 12,195k which was granted in connection with the sale of Display Marketing to Hi-media (also see Note 3 “Corporate Transactions”. This loan was listed as short-term as of December 31, 2010, since it becomes due on June 30, 2011. On the balance sheet date of the previous year, the loan was still listed as other long-term financial assets.

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

As a result of the retrospective adjustment for the comparative period of 2009 (for further explanations see also Note 13 “Income taxes and deferred taxes”) the other short-term financial assets were adjusted from EUR 4,170k to EUR 2,588k. The adjustment concerns the item receivables from the tax office consisting of income taxes.

20. Other financial assets (long-term)

On the balance sheet date there were no other long-term financial assets. On the balance sheet date last year, besides the vendor loan mentioned under Note 19 “Other financial assets (short-term)", there was also a further loan amounting to EUR 146k, which was granted to Intellectual Property Management Company Inc., which was included as an associated company up to December 31, 2009. Both items are assigned to the assessment category loans and receivables.

21. Property, plant and equipment

Capital expenditures for the expansion and modernization of office infrastructure and the server park, as well as for investments in rented property, office furniture and vehicles, which mainly affected the Affiliate Marketing segment, amounted to EUR 593k in the period under review (previous year: EUR 463k).

The development of carrying values in the fiscal years 2010 and 2009 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

22. Intangible assets

An amount of EUR 23k (previous year: EUR 901k) was invested in intangible assets in the 2010 fiscal year. In the previous year, the amount mainly comprised of additions from acquiring the business of RevenueDirect.com (EUR 794k), whereby the acquired client base was the largest item. For further information, please refer to Note 3 “Corporate transactions”. Other additions mainly comprise acquired standard software.

The development of carrying values in the fiscal years 2010 and 2009 is shown in the exhibit to the notes of the consolidated financial statements (development of fixed assets).

23. Trade accounts payable

Trade accounts payable amounting to EUR 17,888k (previous year: EUR 17,091k) are owed to independent third parties with terms of less than one year.

24. Liabilities due to affiliated companies

Figures in EURk	**Dec. 31., 2010**	**Dec. 31, 2009**
Interest liabilities due to United Internet AG	-	7
Trade accounts payable	250	143
	250	150

25. Liabilities due to banks

a) Liabilities due to banks

Figures in EURk	**Dec. 31, 2010**	**Dec. 31, 2009**
Loans from banks	-	1,400

On the balance sheet date there were no liabilities to banks, The bank loan of EUR 1.4 million listed on the balance sheet date of the previous year represented short-term borrowing from the money market using existing bank credit lines. The interest rate for the outstanding loan amounted to 2.5% as of the previous year's balance sheet date. After the Group was able to pay off all its debts in 2010, there is now only short-term use of credit lines to cover peak needs.

b) Credit lines

A credit line agreement amounting to EUR 20 million, which terminated in May 7, 2010, was not extended at the request of the Company.

The available credit lines have variable interest rates. The interest rates of the respective money market loans are based on the EURIBOR, IBOR or EONIA rates, according to their term, plus a risk surcharge.

The Sedo Holding Group has the following credit lines with a total of two banks (previous year: 3):

Figures in EUR million	**Dec. 31, 2010**	**Dec. 31, 2009**
Available credit lines and overdraft facilities	17.0	37.0
Utilization as of balance sheet date	0.0	1.4
Unultilized credit lines as of the balance sheet date	17.0	35.6
Guarantees	0.5	0.5
Utilization as of balance sheet date	0.2	0.4
Unutilized guarantees as of the balance sheet date	0.3	0.1

The credit lines as well as the guarantee framework are for an indefinite period until further notice. Due to the Company's adequate liquidity position the existing loan facility of EUR 15 million as well as the guarantee arrangement were terminated to January 21, 2011, at the request of the Company. A new guarantee facility of EUR 250k was agreed on.

26. Accrued taxes

The provisions for tax liabilities declined by EUR 0.5 million, what was largely due to income tax payments resulting from the tax audits for the years 2005 to 2007. The provisions for tax liabilities are divided up between the following countries:

Figures in EURk	**Dec. 31, 2010**	**Dec. 31, 2009 adjusted**
Germany	2,702	3,018
France	-	12
Spain	8	-
Netherlands	-	1
USA	-	204
	2,710	3,235

On the basis of the retrospective adjustment for the comparable period of 2009 (for further explanations see Note 13 "Income taxes and deferred taxes") the provisions for tax liabilities were adjusted as of December 31, 2009, from EUR 4,121k to EUR 3,235k. The adjustment exclusively concerns Germany.

27. Other accrued liabilities

Other accrued liabilities of EUR 336k as of the balance sheet date (previous year: EUR 667k) refer to litigation risks from legal disputes in France (see also Note 35 "Other financial commitments and contingencies"), as well as a provision of EUR 700k (previous year: EUR 1,500k) for losses from current contracts.

Figures in EURk	2010	2009
At the beginning of the fiscal year	2,167	1,018
Utilization	351	139
Reversal	917	212
Addition	137	1,500
At the end of the fiscal year	1,036	2,167

28. Other current liabilities

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009
Liabilities to the tax office (sales tax, wage tax etc.)	1,153	1,968
Personnel expenses (holidays, bonuses etc.)	1,074	930
Social security	255	154
Consultation (auditing fees, legal advice etc.)	504	760
Losses from current contracts	-	1,575
Annual Shareholders‘ Meeting, Annual Report, Supervisory Board remuneration	135	182
Rent and associated costs	105	106
Others	1,091	403
	4,317	6,078

The other current liabilities have declined by 29%. The fall essentially results from the lower liabilities compared with tax authorities as well as the cessation of an adverse contractual obligation in the amount of EUR 1,575k which was expelled in the other current liabilities in the financial year 2009. In the second quarter 2010 a renegotiation of these contracts could be completed successfully through which this position could be resolved showing success. The return on the dissolution is not continued line of business in the result the contained.

29. Employee stock ownership plans

The Sedo Holding Group’s current employee stock ownership plan to enable managers and senior staff to participate in the Company’s long-term success is based on virtual stock options. The plan was introduced in fiscal year 2007 and nine tranches have been issued so far.

In the past there was a further stock ownership plan based on the issue of convertible bonds, and based on the existing Conditional Capital 2004 of Sedo Holding AG. The last issue from this plan was in 2005.

On the basis of the existing employee stock-option plans, a total amount of EUR 234k (previous year: EUR 40k) was expended in the 2010 fiscal year. The previous year’s sum consists of income of EUR 264k which was attributable to discontinued operations as well as expenditure of EUR 304k attributable to continued operations. The item is included under general and administrative expenses. The increase in the capital reserves resulting from this procedure was analogously EUR 234k (previous year: EUR 40k).

Virtual stock options

With a resolution adopted on August 1, 2007, the Management Board of Sedo Holding AG implemented a new employee stock ownership.

The new employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of Sedo Holding AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company’s share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company’s share in electronic trading (Xetra) of the Frankfurt

Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of Sedo Holding AG. However, it is not a share right and thus not a (genuine) option to acquire shares of Sedo Holding AG. Sedo Holding AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring Sedo Holding AG shares from its stock of treasury shares to the beneficiary at the strike price.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Issues 2010

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

Issues 2009

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

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued tranche comprises a volume of 100,000 units at an issuance price of EUR 3.72 (Tranche G).

With a resolution of the Management Board of May 25, 2009 and approval of the Supervisory Board, a tranche was issued to two senior managers of the Sedo Holding Group. The issue comprises 70,000 virtual stock options at an issuance price of EUR 4.32 (Tranche H). 30,000 units have already expired due to the departure in 2009 of an option beneficiary.

Issues 2008

With a resolution of February 22, 2008 and approval of the Supervisory Board on February 26, 2008, a tranche was approved for issue to senior managers of the Sedo Holding Group. The resolution comprises a volume of up to 60,000 virtual stock options at an issuance price of EUR 18.15 (Tranche C). 30,000 SARs and the respective option rights expired in 2009 due to the departure from the Sedo Holding Group of the employees concerned.

With the approval of the Supervisory Board, a resolution was adopted on March 6, 2008 to issue a tranche to the former Management Board member Stéphane Cordier. The issued tranche comprises a volume of 200,000 units at an issuance price of EUR 18.60 (Tranche D). In an agreement dated September 29, 2009, Mr. Cordier waived his rights to the 200,000 SARs granted to him but not yet exercised.

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

Issues 2007

There were two issues in 2007 as part of the employee stock ownership plan. With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, one issue comprised a volume of 230,000 virtual stock options at an issuance price of EUR 15.51 (Tranche A). 180,000 SARs and the respective option rights have expired due to the departure from the Sedo

Holding Group of the employees concerned (of which 70,000 in 2008 and 90,000 in 2009 and 20,000 in 2010).

With a resolution of November 28, 2007 and approval of the Supervisory Board, the second tranche was issued to the Management Board member Andreas Janssen. The tranche issued comprises a volume of 200,000 SARs at an issuance price of EUR 17.41 (Tranche B).

Summary of changes in the virtual stock option plans

The following table provides an overview of the changes in issued and outstanding virtual stock option plans:

	Number of SARs	Average exercise price in EUR
Outstanding on December 31, 2008	627,200	17.26 EUR
Issue	200,000	3.93 EUR
of which Tranche F	30,000	3.72 EUR
of which Tranche G	100,000	3.72 EUR
of which Tranche H	70,000	4.32 EUR
Expiry	357,200	16.74 EUR
of which Tranche A	90,000	15.51 EUR
of which Tranche C	30,000	18.15 EUR
of which Tranche D	200,000	18.60 EUR
of which Tranche E	7,200	7.43 EUR
of which Tranche H	30,000	4.32 EUR
Outstanding on December 31, 2010	470,000	12.27 EUR
Issue	40,000	4.21 EUR
of which Tranche I	40,000	4.21 EUR
Expiry	20,000	15.51 EUR
of which Tranche A	20,000	15.51 EUR
Outstanding on December 31, 2010	490,000	11.48

		of which available for conversion on Dec 31, 2010	2009	of which available for conversion on Dec. 31, 2009
of which Tranche A	50,000	-	70,000	-
of which Tranche B	200,000	-	200,000	-
of which Tranche C	30,000	-	30,000	-
of which Tranche F	30,000	-	30,000	-
of which Tranche G	100,000	-	100,000	-
of which Tranche H	40,000	-	40,000	-
of which Tranche I	40,000	-	n/a	-
Mean weighted residual term (months)	43		54	

No SARs were available for conversion as of the balance sheet date, as the strike price of the tranches was above share price on the balance sheet date, or in the case of Tranches F and G, for which the first conversion date of 24 months after their issue had not yet been reached in the balance sheet date. The average weighted residual term of the remaining SARs as of December 31, 2010 was 43 (previous year: 54).

Valuation of virtual stock option plans

Using a binomial model for option pricing, the fair value of Tranches A to I was calculated using the following assumptions and parameters.

Tranche	Issue date	Volumes	Exercise price	Expected dividend yields	Expected volatility	Expected term	Risk-free interest	Fair value on issuance	Fair value per SAR (arithm. average)
A	Sep. 3, 2007	230,000	15.51 EUR	0 %	52.00%	5 years	4.01%	863,075 EUR	3.75 EUR
B	Nov. 28, 2007	200,000	17.41 EUR	0 %	55.00%	5 years	3.86%	722,500 EUR	3.61 EUR
C	Feb. 22, 2008	60,000	18.15 EUR	0 %	39.62%	5 years	3.61%	231,300 EUR	3.86 EUR
D	Mar. 6, 2008	200,000	18.60 EUR	0 %	38.53%	5 years	3.51%	870,000 EUR	4.35 EUR
E	Oct. 30, 2008	7,200	7.43 EUR	0 %	53.24%	5 years	3.24%	11,880 EUR	1.65 EUR
F	Mar. 25, 2009	30,000	3.72 EUR	0 %	72.91%	5 years	2.61%	18,450 EUR	0.62 EUR
G	Mar. 30, 2009	100,000	3.72 EUR	0 %	72.91%	5 years	2.47%	61,500 EUR	0.62 EUR
H	May 25, 2009	70,000	4.32 EUR	0 %	77.96%	5 years	2.81%	53,550 EUR	0.77 EUR
I	Mar 22, 2010	40,000	4.21 EUR	0 %	41.32%	5 years	1.74%	25,800 EUR	0.65 EUR

The personnel expense for the virtual stock option plans was divided as follows:

Figures in EURk	2010	2009
Tranche A	36	-76
Tranche B	130	235
Tranche C	25	6
Tranche E	-	-1
Tranche F	6	5
Tranche G	21	15
Tranche H	10	11
Tranche I	6	-
	234	195

Convertible bonds

Employee stock ownership in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 17, 2004, convertible bonds (Tranches 5 and 6) were issued to employees of the Company and of subsidiaries of the Company, as well as to members of the Company's Management Board and executive body members of subsidiaries of the Company.

Every nominal amount of EUR 1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of EUR 1 each. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to 120% of the market price, calculated as the average of the closing price of the company share in floor trading of the Frankfurt stock exchange on the last five trading days before the convertible bonds are issued.

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; Further 25% of the convertible bonds can be converted after 36 months; further 25% after 48 month and the remaining 25% after 60 month. So the full amount of 100%may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

In the 2010 fiscal year expenditure of EUR 0.3k arose rom the balance sheet treatment of issued convertible bonds, whereas in the 2009 fiscal year, there was income of EUR 155k from the balance sheet treatment of issued convertible bonds due to the expiry of the convertible bond following the departure from the Sedo Holding Group of the employees concerned. The expense or income for this employee stock ownership plan is included in general and administrative expenses (EUR 0.3k; previous year: EUR 76k) and in the result from discontinued operations (EUR 0k; previous year: EUR 79k).

Evaluation and summary of changes in the convertible bond plans

The fair value of the convertible bond options issued on April 8, 2005 (5th Tranche) on the basis of an authorization of the Annual Shareholders' Meeting of May 17, 2004, amounted to an average market price of EUR 0.91 per share (total fair value: EUR 364k). The following assumptions were made:

- Dividend yield: 0%
- Volatility of the Sedo Holding share: 68.00%
- Expected term: 5 years
- Risk-free interest: 3.50%

The fair value of the convertible bond options issued on May 23, 2005 (6th Tranche) on the basis of an authorization of the Annual Shareholders' Meeting of May 17, 2004, amounted to an average market price of EUR 1.71 per share (total fair value: EUR 785k). The following assumptions were made:

- Dividend yield: 0%
- Volatility of the Sedo Holding share: 68.00%
- Expected term: 5 years
- Risk-free interest: 3.50%

The changes in the convertible bonds issued or outstanding are set out in the following table:

Figures in EURk	**Number of options**	**Average exercise price**
Outstanding on December 31, 2008	352,130	3.29
Return/Expiry	311,500	
of which 5th Tranche	*300,000*	*3.24*
of which 6th Tranche	*11,500*	*3.60*
Outstanding on December 31, 2009	40,630	3.60
of which 6thTranche	40,630	3.60
Return/Expiry	35,000	3.60
Outstanding on December 31, 2010	5,630	3.60
		Of which exercisable on Dec. 31, 2010
of which 6th Tranche	5,630	**5,630**

In these tranches, the nominal value of EUR 1 corresponds to a conversion right for 10 shares.

As of December 31, 2010 all conversion rights were exercisable. The mean weighted residual term of outstanding conversion rights in months amounted to 5 (previous year: 17) as of December 31, 2010.

No conversion rights were exercised in the period under review.

The maturity of convertible bonds, according to their earliest conversion date, is as follows:

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009
2010	-	4
2011	1	-
	1	4

As in the previous year, the final maturity of all convertible bonds outstanding as of the balance sheet date is in 2011.

30. Equity capital

Capital stock

The capital stock remained unchanged in the 2010 fiscal year and amounts to EUR 30,455,890. In the 2009 fiscal year, by making partial use of Authorized Capital 2005, the capital stock was increased by a total of EUR 4,250,000 in the form of a non-cash contribution, from EUR 26,205,890 to EUR 30,455,890. The non-cash contribution comprises the outstanding minority interests in Sedo GmbH of 24.06%. On the balance sheet date, capital stock amounted to 30,455,890 registered shares each having a theoretical share in the capital stock of EUR 1. All shares are fully issued and paid-in.

As of December 31, 2010, or 2009, the capital stock was held as follows:

	Dec. 31, 2010 EURk	%	Dec. 31, 2009 EURk	%
United Internet AG	23,998	78.79	23,836	78.26
Tim Schumacher	1,658	5.45	1,659	5.45
Free float	4,391	14.42	4,552	14.95
Supervisory Board	409	1.34	409	1.34
	30,456	100.00	30,456	100.00

Authorized capital

The authorized capital of Sedo Holding AG as of the balance sheet date was as follows:

Figures in EURk	Dec. 31, 2010	Dec. 31, 2009
Authorized capital		
2005; until May 17, 2010	-	8,650
2010; until May 18, 2015	15,200	-

Authorized capital 2010

With a resolution of the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized to increase capital stock by up to EUR 15,200,000 (Authorized capital 2010).

The Management Board was authorized, subject to approval by the Company’s Supervisory Board, to increase the Company’s capital stock on one or more occasions before May 18, 2015 by a total of EUR 15,200,000 by issuing new no-par shares for cash or non-cash contributions.

In the case of a capital increase for cash contribution, shareholders must be granted subscription rights. The Management Board is authorized, however, subject to approval by the Supervisory Board, to exclude shareholders’ subscription rights in the following cases:

- if the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation, or

- should it be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation; or
- to equalize fractional amounts.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

In the year under report no recourse was made to the authorized capital, so that the authorized capital amounted to EUR 15,200,000 on the balance sheet date. The authorized capital 2005 limited to May 17, 2010 of EUR 12,900,000 was made use of in the 2009 fiscal year; on November 20, 2009 a non-cash capital increase was made, as a result of which 4,250,000 new shares were issued. As of the balance sheet date, the 2005 authorized capital thus amounts to EUR 8,650,000.

Conditional capital

The conditional capital of Sedo Holding AG as of the balance sheet date is as follows:

Figures in EURk	**Dec. 31, 2010**	**Dec. 31, 2009**
Conditional capital		
2004 (convertible bond)	1,044	1,044
2005 (warrant or convertible bond); until May 16, 2010	-	10,000
2010 (warrant or convertible bond); until May 18, 2015	14,100	-

Conditional capital 2004

At the Annual Shareholders' Meeting held on May 17, 2004, a conditional increase of capital stock was agreed of EUR 1,250,000 divided into 1,250,000 no-par value shares. The relevant entry was made in the commercial register on August 4, 2004.

The conditional increase in capital is earmarked for a new employee stock option plan which guarantees conversion rights to the owners of new convertible bonds. It will only be implemented to the extent that these conversion options are exercised. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option. With regard to members of the Management Board, the Supervisory Board is authorized, and with regard to the other persons entitled to convertible bonds, the Management Board is authorized, to define further details of the conditional capital increase and the execution thereof. A maximum of EUR 650,000 of the conditional capital increase may be allotted to the members of the Management Board of the Company and a maximum of EUR 600,000 to employees of the Company or of subsidiary companies, including management employees of the subsidiary companies.

There were no conversions of convertible bonds in the 2010 fiscal year and in the past fiscal year.

Conditional capital 2005

At the Annual Shareholders' Meeting held on May 17, 2005 a conditional increase of capital stock was agreed of EUR 10 million divided into 10,000,000 no-par value shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 17, 2005 authorized the Company or a subordinated Group company to issue until May 16, 2010, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof. The conditional capital 2005 was cancelled by the Annual Shareholders' Meeting on May 19, 2010.

Conditional capital 2010

At the Annual Shareholders' Meeting on May 19, 2010 decided on a conditional increase of capital of EUR 14.1 million was agreed on divided into 14,100,000 no-par value shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the Annual Shareholders' Meeting of May 19, 2010 authorized the Company or a subordinated Group company to issue until May 18, 2015, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. It will only be implemented to the extent that the warrant or conversion options of the aforementioned bonds are exercised or conversion obligations from such bonds are fulfilled and providing the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the warrant or conversion option. The Company's Management Board is authorized to define further details of the conditional capital increase and the execution thereof.

Treasury Shares

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 19, 2010, the Management Board is authorized pursuant to Section 71 (1) No. 8 AktG to acquire treasury shares not exceeding 10% of its capital stock for a period of five years until May 19, 2015. The price paid for acquisition of these shares may not be more than 10% above or below the stock market price. Treasury shares can be used for all purposes named at the Annual Shareholders' Meeting of May 19, 2010. As of the balance sheet date, the Company held no treasury shares.

The authorization replaces the resolution of the Annual Shareholders' Meeting of May 25, 2009. No treasury shares were acquired during fiscal years 2010 and 2009 on the basis of this authorization.

Reserves

Capital reserve

The capital reserve includes the surcharges from the issue of shares, less the transaction costs directly attributable to capital acquisition. The capital reserves also contain the amounts of the reserves legally required in accordance with Section 150 (1) AktG. Furthermore, they contain the bookings from the balancing of the employee stock ownership programs. With regard to the use of the capital reserve, the regulations of Section 150 (3) and (4) AktG apply. On December 31, 2010, in accordance with Section 150, (4) No. 2 AktG, EUR 35,898k was taken from the capital reserve, in order to compensate for the accumulated loss brought forward from the previous year less the annual surplus of the reporting year of Sedo Holding AG (Separate financial statement HGB).

Figures in EURk	**2010**	**2009**
Capital reserves at the beginning of the fiscal year	74,433	65,043
Non-cash capital increase acquisition of shares of Sedo GmbH)	-	9,350
Addition from stock-option plans	234	40
Withdrawals from capital reserves	-35,898	-
Capital reserves at the end of the fiscal year	38,769	74,433

Profit reserves

On the one hand, these contain the item "Accumulated consolidated result" which includes the results registered in the past by the companies included in the consolidated accounts insofar as far as they are not distributed. In addition, “Currency translation items” item is included. In this, the differences arising from the currency translation of results of foreign subsidiaries not affecting the operating result are included. Also included is the previously-mentioned withdrawal from the capital reserve of Sedo Holding AG amounting to EUR 35,898k. A detailed summary of the composition and changes in the capital reserve in the 2010 and 2009 fiscal years is presented in the development of equity capital.

Shares without control of the entity

The shares without control of the entity refer to the minority interests in the consolidated equity capital of Intellectual Property Management Company Inc. with registered office in Dover, Delaware, USA, and amounted to EUR -240k as of December 31, 2010 (previous year: EUR 0).

31. Additional details on financial instruments

The following table shows the valuation categories and categories of financial assets and liabilities:

		Valuation acc. to IAS 39			
December 31, 2010 **Figures in EURk**	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2010	Continued acquisition cost	Fair value not affecting net income	Fair value on Dec. 31, 2010
Assets					
Cash and cash equivalents	lar	6,316	6,316	-	6,316
Trade accounts receivable	lar	14,571	14,571	-	14,571
Accounts receivable from affiliated companies	lar	52	52	-	52
Other current financial assets	lar	14,321	14,321	-	14,321
Liabilities					
Trade accounts payable	flac	17,888	17,888	-	17,888
Accounts payable to affiliated companies	flac	250	250	-	250
Liabilities due to banks	flac	-	-	-	-
Convertible bonds	flac	1	1	-	1
Other financial liabilities	flac	5,353	5,353	-	5,353
Of which aggregated acc. to valuation categories in acc. with IAS 39:					
Loans and receivables (lar)	lar	35,260	35,260	-	35,260
Financial liabilities measured at amortized cost (flac)	flac	23,492	23,492	-	23,492

		Valuation acc. to IAS 39			
December 31, 2009 (adjusted) **Figures in EURk**	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2009	Continued acquisition cost	Fair value not affecting net income	Fair value on Dec. 31, 2009
Assets					
Cash and cash equivalents	lar	6,548	6,548	-	6,548
Trade accounts receivable	lar	11,672	11,672	-	11,672
Accounts receivable from affiliated companies	lar	27	27	-	27
Other current financial assets	lar	2,588	2,588	-	2,588
Other non-current financial assets	lar	12,341	12,341	-	12,341
Liabilities					
Trade accounts payable	flac	17,091	17,091	-	17,091
Accounts payable to affiliated companies	flac	150	150	-	150
Liabilities due to banks	flac	1,400	1,400	-	1,400
Convertible bonds	flac	4	4	-	4
Other financial liabilities	flac	8,246	8,246	-	8,246
Of which aggregated acc. to valuation categories in acc. with IAS 39:					
Loans and receivables (lar)	lar	33,176	33,176	-	33,176
Financial liabilities measured at amortized cost (flac)	flac	26,891	26,891	-	26,891

Cash and cash equivalents, trade accounts receivable, other current financial assets and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value. The fair value of fixed-interest loans is the present value of future expected cash flows using current interest rates as of the balance sheet date.

Liabilities due to banks consist mainly of short-term money market loans, whose fair value corresponds to the carrying value.

Convertible bonds bear interest. As interest is not significantly different to the observable market rate, the carrying value is similar to fair value.

In order to present the reliability of fair value assessments of financial instruments in a comparable way, a fair value hierarchy was introduced in IFRS with the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Other inputs that are observable for the asset or liability, either directly or indirectly (Level 2);
- Inputs that are not based on observable market data (Level 3).

As of the balance sheet date the Group held no financial instruments measured at fair value.

The following tables show net profits and losses from financial instruments according to valuation categories for the fiscal years 2010 and 2009.

Figures in EURk		From interest and dividends	Net profits and losses from subsequent valuation		From disposal	**Net result**
			Fair value	Value adjusted		
Loans and receivables	lar	555	-	77	-29	**603**
Available-for-sale financial assets	afs	-	-	-	-	**-**
of which not affecting net income		-	-	-	-	**-**
of which affecting net income		-	-	-	-	**-**
Financial liabilities, valued at amortized cost	flac	-258	-	-	-	**-258**
2010	¤	**297**	**-**	**77**	**-29**	**345**

Figures in EURk		From interest and dividends	Net profits and losses from subsequent valuation		From disposal	**Net result**
			Fair value	Value adjusted		
Loans and receivables	lar	209	-	-583	-	**-374**
Available-for-sale financial assets	afs	339	-	-	12,704	**13,043**
of which not affecting net income		-	-	-	-	**-**
of which affecting net income		339	-	-	12,704	**13,043**
Financial liabilities, valued at amortized cost	flac	-1,090	-	-	-	**-1,090**
2009		**-542**	**-**	**-583**	**12,704**	**11,579**

32. Transactions with related parties

All transactions with related companies and persons during the period under review are presented below. The following groups of persons and companies are defined by IAS 24 as “related”:

- Members of the Management Board and Supervisory Board
- United Internet AG, Montabaur / Germany, and its subsidiaries, as the majority shareholder of Sedo Holding AG and its subsidiaries
- DomainsBot (associated company)

Members of the Management Board and Supervisory Board

With the exception of current remuneration, there were no other legal transactions with members of the Management Board and Supervisory Board during the period under review.

As of December 31, 2010 the Supervisory Board of Sedo Holding AG consisted of:

Michael Scheeren, qualified banker,
Ralph Dommermuth, CEO of United Internet AG
Andreas Gauger, businessman

The Chairman of the Supervisory Board, Michael Scheeren, was also a member of the supervisory boards of United Internet AG, Montabaur, United Internet Media AG, Montabaur, 1&1 Internet AG, Montabaur (Chairman) and Goldbach Media AG, Küsnacht, Switzerland. In addition to his seat on the Supervisory Board of Sedo Holding AG, Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Andreas Gauger was also a member of the supervisory board of Fonpit AG, Berlin and, until September 2010, of Virtual Minds AG, Freiburg. Moreover, Mr. Andreas Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, ACAN Invest AG, Baar, Switzerland, and ACAN Management AG, Baar, Switzerland, and as an Independent Board Member of Parallels Inc., Bermuda.

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 26, 2008, the members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to EUR 15,000 per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to EUR 250 for every EUR 0.01 of earnings per share of Sedo holding AG, as disclosed in the Company's consolidated financial statements according to IFRS, which exceeds a minimum amount of EUR 0.30 per share.

The Chairman of the Supervisory Board, Michael Scheeren, thus received total remuneration of EUR 30k (previous year: EUR 55k). Of this total, EUR 30k (previous year: EUR 30k) was fixed and EUR 0k variable (previous year: EUR 25k). Andreas Gauger received total remuneration of EUR 15k (previous year: EUR 40k). Of this total EUR 15k (previous year: EUR 15k) was fixed and EUR 0k variable (previous year: EUR 25k). In agreement with the members of the Supervisory Board it is the Company's policy thereby not to make remunerate Supervisory Board mandates within the Group. In addition, all Supervisory Board members have waived their variable remuneration rights for 2009.

On December 15, 2010, affilnet GmbH concluded a consulting contract with Mr Scheeren. Mr Scheeren will thereby support affilnet GmbH with the practical implementation of the results emerging from a concluded strategy consulting project and implement them in the operative business processes. Excepted from this are such activities which fall within the area of responsibility of Mr Scheeren as a member of the Supervisory Board of Sedo Holding AG. Up to December 31, 2010, consulting service with a value of EUR 2k had been made use of.

As of December 31, 2010, the Management Board of Sedo holding AG consisted of three members: Andreas Janssen, Tim Schumacher and Alexander Röthinger.

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board is performance-oriented and consists of fixed and variable elements. In addition, there is a component providing long-term incentives in the form of convertible bonds, stock options or virtual stock options. The amount of these remuneration components is regularly reviewed. The fixed component is paid monthly as a salary. The size of the variable component is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and mainly related to the sales and earnings figures. Depending on the attainment of targets, the Chairman of the Supervisory Board determines the variable component, which is limited to a certain maximum amount. There is no subsequent amendment of performance targets. There is no guaranteed minimum payment of the variable remuneration component.

Total remuneration paid to the members of the Management Board for fiscal year 2010 amounted to EUR 534k (previous year: EUR 402k) as shown in the following summary. In addition, the former members of the Management Board up to September 30, 2009, Stéphane Cordier and Marc Silke, received remuneration of EUR 593k in the 2009 fiscal year, of which EUR 353 was accounted for by the fixed component and EUR 240 by the variable component.

Figures in EUR	Total compensation 2010	2009	Fixed 2010	2009	Variable 2010	2009	Long-term incentive component** 2010	2009
Andreas Janssen	218,264	311,500	186,264	180,000	32,000	70,000	n/a	61,500
Tim Schumacher *	157,940	45,002	134,940	32,502	23,000	12,500	n/a	n/a
Alexander Röthinger *	158,090	45,002	135,090	32,502	23,000	12,500	n/a	n/a
Total	534,294	401,504	456,294	245,004	78,000	95,000	n/a	61,500

* as of October 1, 2009

** corresponding to fair value at issuance date and on completion of option vesting periods

Explanation of long-term incentive components of compensation:

The current long-term incentive components of compensation are based on the plans described in Note 29 “Employee stock ownership plans”. Unless stated otherwise, the conditions and functions are identical to the standard conditions described. The size of long-term incentive components of compensation is based on fair value on issuance of the convertible bonds for the conversion rights acquired in the respective fiscal year. Acquired conversion rights are defined as that part of the issued options for which the vesting period has been completed in the fiscal year and which thus represent vested rights which can now be exercised.

Virtual stock options

With the approval of the Supervisory Board (resolution of March 6, 2008) a tranche was issued to the former Management Board member Stéphane Cordier in fiscal year 2008. The tranche issued comprises 200,000 units with an exercise price of EUR 18.60 (Tranche D). Mr. Cordier’s claims from the 200,000 SARs granted to him in 2008 were settled as part of his variable remuneration for 2009.

In fiscal 2007 the Supervisory Board adopted a resolution of November 28, 2007, to issue 200,000 virtual stock options (so-called Stock Appreciation Rights or SARs) to Mr. Janssen at an issue price of EUR 17.41. (Tranche B). In addition, the Supervisory Board adopted a resolution of March 30, 2009 to issue a further 100,000 SARs (Tranche G) to Mr. Janssen in fiscal 2009 at an issue price of EUR 3.72.

From the issue of virtual stock options made from Tranche A in the 2007 fiscal year, Mr. Röthinger received 30,000 SARs at an issue price of EUR 15.51.

Details on determining fair value at the time of issuance are provided in Note 29 “Employee stock ownership plans” (Virtual Stock Options Tranche B, D and G).

Convertible bonds

In the 2005 fiscal year convertible bonds with a nominal amount of EUR 40k were issued to Mr. Marc Stilke, of which Mr. Stilke converted convertible bonds with a nominal amount of EUR 10k in fiscal year 2007. The remaining conversion rights were paid out to Mr. Stilke in fiscal year 2009.

Option agreement

In the 2004 fiscal year an option agreement was made between Mr. Cordier and United Internet AG. This included the right to acquire 400,000 shares of Sedo Holding AG from the stock of United Internet AG, divided into four options of 100,000 shares each. No time limits were set. With Mr. Cordier’s retirement from the Management Board of Sedo Holding AG, these options were settled as part of his variable remuneration.

The number of shares and outstanding subscription rights of Sedo Holding AG held by members of the Management Board and the Supervisory Board is given in the following table:

	Shareholding		Subscription rights from employee stock ownership programs		
	Dec. 31, 2010	Dec. 31, 2009	SAR Dec. 31, 2010	Exercise price in EUR	SAR Dec. 31, 2009
Supervisory Board					
Michael Scheeren	72,656	72,656	-	-	-
Ralph Dommermuth	335,357 [1]	335,357 [1]	-	-	-
Andreas Gauger	1,000	1,000	-	-	-
Management Board					
Andreas Janssen	-	-	300,000	12.85	300,000
Tim Schumacher	1,658,393	1,658,393	-	-	-
Alexander Röthinger	-	-	30,000	15.51	30,000
	2,067,406	2,067,406	330,000		330,000

[1] via Ralph Dommermuth Beteiligung GmbH

United Internet AG and its subsidiaries

Business relationships between the Sedo Holding Group and the United Internet Group are mainly with the following companies of the United Internet Group:

(1) United Internet AG, Montabaur / Germany
(2) 1&1 Internet AG, Montabaur / Germany
(3) A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur / Germany
(4) United Internet Media AG, Montabaur / Germany
(5) InterNetX GmbH, Regensburg / Germany
(6) 1&1 Internet Ltd., Slough / Great Britain
(7) 1&1 Internet Inc., Chesterbrook / USA
(8) united-domains AG, Starnberg / Germany
(9) Fasthosts Internet Ltd., Gloucester / Great Britain
(10) United Internet Beteiligungen GmbH, Montabaur / Germany

The volumes of mutual business can be seen from the following table:

Figures in EURk	**2010**	**2009**
Acquired inventories (domains)	235	529
Interest expenses	-	450
Insurance services	33	40
Rent paid	17	141
Other services received	1,030	1,087
Fees for parked domains	205	181
Sales revenue	3,676	5,171
Proceeds from disposal of investments	-	45,064
Proceeds from disposal of an operating unit	21	-
Other revenue	18	-

Acquired inventories refer to the acquisition of domains from 1&1 Internet AG and InterNetX GmbH as well as Fasthosts Internet Ltd., for sales purposes.

Interest expenses in fiscal 2009 result from partial joint cash management of Sedo Holding AG and United Internet AG. The contract signed for this purpose between Sedo Holding AG and United Internet AG was terminated in December 2009 by Sedo Holding AG.

Insurance services concerned group insurance in which the Group is involved as a result of its ownership relationship with United Internet AG. The conditions of such group insurance policies are more favorable for the Sedo Holding Group (due to pooling and volume benefits), than if concluded on the level of the Sedo Holding Group.

Rent payments refer to a lease between United Internet AG and Sedo Holding AG for offices at the Montabaur site. The lease was terminated by Sedo Holding AG on February 28, 2010 due to the relocation of the company's registered office to Cologne.

Other services received include the following items:

- Registration fees for domains,
- SAP services,
- Printed matter and fair cooperation,
- Server services.

Die 1&1 Internet AG and its subsidiaries market some of their domains via the domain parking services of the Sedo Holding Group. The fees received result from advertising marketing in the field of Domain Marketing.

The sales revenue results mainly from affiliate programs operated by Group companies, as well as (to a lesser extent) the provision of advertising and sales services in the field of Domain Marketing.

Proceeds from disposal of investments result from the sale of shares in Hi-media S.A. and Goldbach Media AG to United Internet Beteiligungen GmbH. Please refer to Note 3 "Corporate transactions" for further information.

DomainsBot

In the period under review, Sedo Germany received software services from DomainsBot amounting to EUR 156k (previous year: EUR 75k).

33. Risk and capital management

The Sedo Holding Group is exposed to certain risks with regard to its assets, liabilities and planned transactions. The main financial risks include: market risks, liquidity risks, contingency and credit risks. The aim of financial risk management is to continually monitor such risks and to limit them as far as possible by undertaking operating and finance-oriented activities.

The principles of this finance policy are set by the Management Board of Sedo Holding AG and documented in a risk manual, which is made available to all Group companies. The provisions are continually compared with changing legal conditions, and adapted or developed as required. Certain transactions require prior approval from the Supervisory Board in accordance with the rules and procedures of the Management Board.

The Company does not use any derivative financial instruments to hedge against financial risks.

Market risks

In the course of its business activities, the Company is mainly confronted with financial risks from changes in exchange rates (currency risk), interest rates (interest risk), market price risks (price risks) as well as competition risks.

Currency risks

The Group operates in the Euro zone as well as via independent subsidiaries in the UK and the USA. The annual financial statements contain no external financial liabilities in foreign currencies. The Company's currency risks therefore result from internal financing arrangements and operating activity.

The individual Group companies perform their operating business mainly in their respective functional currencies. The exceptions are Sedo GmbH, Cologne / Germany and Sedo Holding AG as a separate company, which have significant cash flows outside their functional currencies.

For the presentation of market risks, IFRS 7 requires sensitivity analyses which show the effects of hypothetical changes of relevant risk variables on the result and equity capital. The periodical consequences are determined by the hypothetical changes of the risk variables are related to the stock of finance instruments on the balance sheet date. It is thereby assumed that the stock is representative of the complete year to the balance sheet date. Currency risks in the sense of IFRS 7 arise from monetary finance instruments which are denominated in a currency differing from the functional currency; exchange rate related differences arising from the translation of financial statements into the Group currency remain unconsidered. In principle, all non-functional currencies in which Sedo Holding is involved in finance instruments are regarded relevant risk variables.

The main original monetary finance instruments, on the basis of which currency risks arise for the Company, are cash, trade accounts receivable as well as accounts receivable between corporate affiliates which have a different functional currency.

In the currency sensitivity analyses, the essential currency pairs for the Company are observed: EUR/USD and EUR/GBP. The bases for the calculation were the average volatilities of the individual currencies in the year 2010. Assuming upward revaluations of the Euro compared with U.S. Dollar and Pound Sterling of 13% or 11%, the result of the Company would have been EUR 55k lower. In the event of devaluations of the Euro compared with the Pound Sterling and the USD dollar on the same scale, the result would have been EUR 64k higher.

Interest risks

The Company finances its borrowing needs on a short-term basis. As of the balance sheet date, there was a positive financing balance (financial liabilities less cash and cash equivalents) of EUR 6.3 million (previous year: net positive balance of EUR 5.1 million). All cash deposits and available credit lines are based on variable interest rates. Ceteris paribus, the risk of change in interest rates thus corresponds to EUR 63k p.a. before tax (previous year: EUR 51k) per 1% change in the interest rate.

Price risks

Neither on the balance sheet date nor during fiscal year 2010 did the Company have any significant available-for-sale financial assets valued on the basis of market prices at fair value without effect on profit and loss.

Competition risks

Beside the general competition risks which are discussed in the Risk Report, there are no concrete risks.

Liquidity risks

The Company has sufficient short-term access to credit lines and cash or cash equivalents to be able to meet its payment obligations at all times. Due to its positive business development, the Company is also sufficiently creditworthy that, in the unlikely case of requiring to borrow externally it would be able to negotiate new lines of credit on reasonable terms, after the Company terminated its existing credit line of EUR 15 million in January 2011. The due dates of payments to be made by the Company are as follows:

Figures in EURk			**Due dates of payments**		
as of Dec. 31, 2010	**2011**	**2012**	**2013**	**2014**	**2015 and later**
Trade accounts payable	17,888	-	-	-	-
Liabilities due to affiliated companies	250	-	-	-	-
Liabilities due to banks	-	-	-	-	-
Other provisions	1,036	-	-	-	-
Other financial liabilities	4,317	-	-	-	-
Convertible bonds	1	-	-	-	-
Total	**23,492**	**-**	**-**	**-**	**-**

Figures in EURk as of Dec. 31, 2009	Due dates of payments 2010	2011	2012	2013	2015 and later
Trade accounts payable	17,091	-	-	-	-
Liabilities due to affiliated companies	150	-	-	-	-
Liabilities due to banks	1,400	-	-	-	-
Other provisions	2,167	-	-	-	-
Other financial liabilities	6,081	-	-	-	-
Convertible bonds	1	3	-	-	-
Total	**26,890**	**3**	**-**	**-**	**-**

Contingency and credit risks

In the course of its operating activities, the Company is exposed to a contingency risk. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. Through the use of appropriate control procedures and instructions based upon experience, the Group ensures that services are only provided to those customers who in the past have proved themselves to be creditworthy or that in the case of new customers the risk is kept within reasonable bounds. Furthermore debt management is organized in such a way that some risks can be identified at an early stage and appropriate counter-measures taken.

The maximum contingency risk is given by the carrying values of the financial assets in the balance sheet.

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

The Company has a risk concentration of approx. 30% (previous year: 20%) of trade accounts receivable with three customers (previous year: one) with first-class credit rating. There is a risk concentration if trade accounts receivable from a third party exceed 5% of total receivables.

Capital management

The primary objective of the Group’s capital management system is to ensure sufficiently high liquidity reserves to support its activities. In order to reach this target, the Group tries to achieve a balanced relationship between equity and debt capital and thus to achieve a suitable equity ratio.

In addition to the legal provisions for stock corporations, the Company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the Company are mainly performance-oriented. The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

The Group manages its capital requirements by monitoring and managing its working capital, and in particular by using the group-wide liquidity system (cash pool).

In order to maintain and adapt its capital structure, the Company can purchase treasury shares (up to 10% of outstanding capital stock) or use its Authorized Capital. Treasury shares can also be used as an acquisition currency or retired.

From its convertible bond plans, the Company has an obligation to issue treasury shares to the holders of convertible bonds. This obligation can be met from Conditional Capital or with treasury shares acquired.

In the course of the fiscal year 2010, as in the previous year, there were no amendments to the Group’s capital management system with regard to objectives, guidelines or processes.

34. Subsequent events

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

35. Other financial commitments and contingencies

Other financial commitments

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

(1) leases for offices at the Group's various locations and
(2) leasing obligations for a part of the vehicle fleet.

Figures in EURk	December 31, 2010			
	Direct product costs	Rent	Leasing & others	Total
Up to 1 year	155	1,204	49	1,408
1 – 4 years	-	1,814	34	1,848
> 4 years	-	-	-	-
	155	3,018	83	3,256

Figures in EURk	December 31, 2009			
	Direct product costs	Rent	Leasing & others	Total
Up to 1 year	525	1,059	110	1,694
1 – 4 years	-	829	83	912
> 4 years	-	36	18	54
	525	1,924	211	2,660

Leasing payments (rent and other operating leasing) recognized as an expense in the current fiscal year amount to EUR 1.5 million (previous year: EUR 1.6 million).

Contingent liabilities and other commitments

Litigation

Legal disputes mainly concern cases pending in France and Germany. Action has been taken against the Company in these countries in several cases due to alleged infringement of trademarks as well as unfair competition.

A provision was formed for any obligations arising from this litigation, see Note 27 "Other accrued liabilities".

Other

The Management Board is not aware of any facts which may lead to other obligations and commitments with a material adverse impact on the Company's operations, financial standing or earnings.

36. Segment reporting

The Company's segment reporting was prepared in accordance with IFRS 8 "Business Segments". The Management Board of Sedo Holding AG controls and organizes the Company according to both geographical and activity-based aspects. In its internal reporting structure, however, the dominant aspect is its organization and control according to the Company's various fields of activity and their differences with regard to the products and services offered. Internal reporting does not correspond in all cases with the legal structure.

The Group is divided into the following business segments:

- Affiliate Marketing with the brand affilinet
- Domain Marketing with the brands Sedo and GreatDomains

In addition, the area of Corporate is also reported on. Beside the continued operations of Sedo Holding AG, the Corporate segment mainly comprises the effects of consolidation, amortization of intangible assets capitalized in the course of corporate acquisitions, and expenses incurred by employee stock ownership plans and currency effects. In 2009, attention is particularly drawn to the effects of the disposal of the Hi-media and Goldbach Media shares.

The Management Board mainly controls operations on the basis of key earnings figures and an assessment of total costs. The Management Board uses an internal earnings ratio for the segment's contribution to consolidated earnings, the so-called "contribution" figure, in order to control the various segments. Contribution is an indicator similar to EBIT, adjusted for internal cost allocation and financing effects, and including the results of associated companies, which reflects the operating strength of the respective segments. Contribution as a proportion of sales provides the contribution margin.

Figures in EURk **2010**	**Affiliate Marketing**	**Domain Marketing**	**Total segments**	**Recon-ciliation**	**Total Sedo Holding Group** [1]
Non-group revenue	72,876	43,061	**115,937**	158	**116,095**
Inter-segment revenue	4	41	**45**	-45	**-**
Total revenue	72,880	43,102	**115,982**	113	**116,095**
Contribution	1,330	3,951	**5,281**	-2,323	**2,958**
Depreciation and amortization	872	636	**1,508**	543	**2,051**
of which PPA depreciation	553	223	**776**	276	**1,052**
of which non-scheduled depreciation	-	-	**-**	-	**-**
Depreciation of goodwill	-	162	**162**	-	**162**
Adjustment in inventories	-	3,383	**3,383**	-	**3,383**
Compensation expenses from employee stock option plans	-	-	**-**	234	**234**
Capital expenditure	472	113	**585**	31	**616**
Investments in associated companies	-	956	**956**	-	**956**
Goodwill	18,571	57,079	**75,650**	-	**75,650**
Segment assets (excl. goodwill)	13,884	20,479	**34,363**	85,191	**119,554**
Debts	21,070	13,874	**34,944**	-8,402	**26,542**
Employees (as of Dec. 31)	157	168	**325**	15	**340**

Figures in EURk **2009 (adjusted)**	**Affiliate Marketing**	**Domain Marketing**	**Total segments**	**Recon-ciliation**	**Total Sedo Holding Group** [1]
Non-group revenue	88,102	46,629	**134,731**	581	**135,312**
Inter-segment revenue	333	33	**366**	-366	**-**
Total revenue	88,435	46,662	**135,097**	215	**135,312**
Contribution	4,247	7,229	**11,476**	8,677	**20,153**
Depreciation and amortization	357	695	**1,052**	2,093	**3,145**
of which PPA depreciation	-	-	**-**	1,877	**1,877**
of which non-scheduled depreciation	-	-	**-**	79	**79**
Adjustment in inventories	-	1,242	**1,242**	-	**1,242**
Compensation expenses from employee stock option plans	-	-	**-**	40	**40**
Capital expenditure	257	941	**1,198**	166	**1,364**
Investments in associated companies	-	899	**899**	-	**899**
Goodwill	18,571	57,072	**75,643**	-	**75,643**
Segment assets (excl. goodwill)	17,266	29,807	**47,073**	73,829	**120,902**
Debts	19,319	18,295	**37,614**	-6,810	**30,804**
Employees (as of Dec. 31)	133	155	**288**	30	**318**

[1] The income statement and cash flow statement figures refer to continued operations. The amortization of capitalized intangible assets resulting from business combinations have been assigned to the segments since 2010.

The following table presents a reconciliation of segment figures to those of the Sedo Holding Group.

Figures in EURk	**2010**	**2009 adjusted**
Segment contribution	5,281	11,476
Corporate contribution	-2,323	8,677
Interest and similar expenses	-258	-1,090
Interest and similar income	555	209
Result before taxes	3,255	19,272
Income taxes	-2,214	-5,439
Result from discontinued operations	1,528	21,334
Net income	2,569	35,167

	Dec. 31, 2010	**Dec. 31, 2009 adjusted**
Segment assets	34,363	47,073
Corporate assets	-5,573	-15,980
Shares in associated companies	956	899
Other financial assets (short-term)	12,195	-
Other financial assets (long-term)	-	12,341
Goodwill	75,650	75,643
Deferred tax assets	1,963	926
Gross assets of the Sedo Holding Group	119,554	120,902
Segment liabilities	34,944	37,614
Corporate liabilities	-11,453	-12,127
Liabilities due to banks	-	1,400
Accrued taxes	2,710	3,235
Convertible bonds	1	4
Deferred tax liabilities	340	678
Gross liabilities of the Sedo Holding Group	26,542	30,804

In the case of regional classification, revenues are allocated on the basis of the customer's location. Corporate assets are allocated on the basis of the location of the respective subsidiary disclosing the assets. In accordance with IFRS 8.33, they contain all the Group's non-current assets with the exception of financial instruments and deferred tax assets.

Figures in EURk	Germany	Other European countries	Non-Europe	Sedo Holding Group
2010				
Non-group revenue	50,978	60,623	4,494	116,095
Capital expenditures	466	121	29	616
Non-current assets (as of Dec. 31)	71,888	6,803	639	79,330
Employees (as of Dec. 31)	235	59	46	340

Figures in EURk	Germany	Other European countries	Non-Europe	Sedo Holding Group
2009				
Non-group revenue	42,510	83,324	9,478	135,312
Capital expenditures	485	74	805	1,364
Non-current assets (as of Dec. 31)	72,308	7,294	1,027	80,629
Employees (as of Dec. 31)	222	54	42	318

With the largest customer, who comes from the area of domain marketing, the Group realized 28.6 % of its sales in the 2010 fiscal year (previous year: 27.5%). In the 2009 fiscal year, 19.3% of the sales revenues were achieved with the second largest customer. This customer was in the area of affiliate marketing; as a result of a rearrangement of the contractual relationship with this customer in the fourth quarter of 2009, there were no longer any significant sales revenues to record in the 2010 fiscal year.

37. Exemption pursuant to Section 264 (3) HGB

The following companies of Sedo Holding AG make use of the provisions of Section 264 (3) HGB which exempt them from the first, second, third and fourth subsections of the second section of the German Commercial Code:

- Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur / Germany
- affilinet GmbH, Munich / Germany
- Sedo GmbH, Cologne / Germany

38. Group membership

As the parent company of Sedo Holding AG, United Internet AG prepares consolidated annual financial statements for the largest group of companies. The HGB-based result of United Internet AG for the preceding fiscal year 2009 amounted to EUR 298.2 million and its equity according to HGB amounted to EUR 497.5 million.

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

39. Auditing fees

In the 2010 fiscal year, fees of EUR 199k (previous year: EUR 373k) were registered as expenditure on the level of Sedo Holding AG. These include auditing fees of EUR 126k (prior year: EUR 140k), tax consultancy services of EUR 73k (prior year: EUR 145k), and other services of EUR 0k (prior year: EUR 88k).

On the level of the Group, total fees of the auditors amounted to EUR 367k (previous year: EUR 588k). These include auditing fees of EUR 288k (prior year: EUR 352k), tax consultancy services of EUR 73k (previous year: EUR 145k), and other services of EUR 6k (prior year: EUR 91k).

42. Corporate Governance Code

The Management Board and Supervisory Board issued its declaration acc. to Section 161 AktGregarding conformity with the German Corporate Governance Code. The declaration is permanently accessible for shareholders on the internet portal of Sedo Holding AG (www.SedoHolding.com).

Cologne, March 10, 2011

Management Board

Andreas Janssen, Tim Schumacher, Alexander Röthinger

Sedo Holding AG

Development of fixed assets 2010 acc. to IFRS

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED AMORTIZATION/DEPRECIATION						NET BOOK VALUE	
	Jan. 1, 2010	Changes in consolidations	Additions	Disposals	Currency translation adjustment	Dec. 31, 2010	Jan. 1, 2010	Additions	Disposals	Reclassifi-cations	Currency translation adjustment	Dec. 31, 2010	Jan. 1, 2010	Dec. 31, 2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
INTANGIBLE ASSETS														
Licenses, trade marks and others	2,436,619	0	300	0	111,575	2,548,493	1,311,135	206,868	0	0	87,614	1,605,617	1,125,484	942,876
Software	3,764,928	0	22,697	795	-5,874	3,780,956	3,106,323	358,056	795	0	-17,539	3,446,047	658,605	334,909
Internet platform	1,878,900	0	0	0	0	1,878,900	1,784,992	93,908	0	0	0	1,878,900	93,908	0
Databases	5,635,004	0	0	0	40,813	5,675,817	4,463,794	823,237	0	0	0	5,287,031	1,171,210	388,786
Subtotal Licenses/Software/Deposit	13,715,451	0	22,997	795	146,513	13,884,166	10,666,244	1,482,070	795	0	70,076	12,217,595	3,049,207	1,666,572
Goodwill	89,735,081	0	162,180	0	6,585	89,903,846	14,092,000	162,180	0	0	0	14,254,180	75,643,081	75,649,666
	103,450,532	0	185,177	795	153,098	103,788,012	24,758,244	1,644,250	795	0	70,076	26,471,775	78,692,288	77,316,238
PROPERTY, PLANT AND EQUIPMENT														
Other equipment, operational and office equipment	3,175,972	34,279	592,825	141,654	15,629	3,677,052	2,138,290	569,065	98,329	0	9,932	2,618,958	1,037,682	1,058,093
	3,175,972	34,279	592,825	141,654	15,629	3,677,052	2,138,290	569,065	98,329	0	9,932	2,618,958	1,037,682	1,058,093
FINANCIAL ASSETS														
Shares in associated companies	899,004	-72,775	129,550	0	0	955,779	0	0	0	0	0	0	899,004	955,779
Other non-current assets	12,340,601	-145,773	0	12,194,828	0	0	0	0	0	0	0	0	12,340,601	0
	13,239,605	-218,548	129,550	12,194,828	0	955,779	0	0	0	0	0	0	13,239,605	955,779
	119,866,109	-184,269	907,552	12,337,277	168,727	108,420,843	26,896,534	2,213,315	99,124	0	80,008	29,090,733	92,969,575	79,330,110

	ACQUISITION AND PRODUCTION COSTS						ACCUMULATED AMORTIZATION/DEPRECIATION						NET BOOK VALUE	
	Jan. 1, 2009	Changes in consolidations	Additions	Disposals	Currency translation adjustment	Dec. 31, 2009	Jan. 1, 2009	Additions	Disposals	Reclassifi-cations	Currency translation adjustment	Dec. 31, 2009	Jan. 1, 2009	Dec. 31, 2009
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
INTANGIBLE ASSETS														
Licenses, trade marks and others	2,546,422	0	109,940	188,988	-30,755	2,436,619	1,265,228	188,288	118,562	0	-14,512	1,320,442	1,281,194	1,116,177
Software	3,916,923	0	159,538	312,254	721	3,764,928	2,476,023	819,854	197,987	0	-874	3,097,016	1,440,900	667,912
Internet platform	1,878,900	0	0	0	0	1,878,900	1,409,296	375,696	0	0	0	1,784,992	469,604	93,908
Databases	5,003,600	0	631,404	0	0	5,635,004	3,338,273	1,129,624	0	0	-4,103	4,463,794	1,665,327	1,171,210
Subtotal Licenses/Software/Deposit	13,345,845	0	900,882	501,242	-30,034	13,715,451	8,488,820	2,513,462	316,549		-19,489	10,666,244	4,857,025	3,049,207
Goodwill	84,690,363	0	14,878,718	3,630,000	0	95,939,081	20,296,000	0	0	0	0	20,296,000	64,394,363	75,643,081
	98,036,208	0	15,779,600	4,131,242	-30,034	109,654,532	28,784,820	2,513,462	316,549	0	-19,489	30,962,244	69,251,388	78,692,288
PROPERTY, PLANT AND EQUIPMENT														
Other equipment, operational and office equipment	4,439,034	0	463,118	1,807,832	81,652	3,175,972	2,478,420	778,989	1,131,370	13,630	-1,379	2,138,290	1,960,614	1,037,682
	4,439,034	0	463,118	1,807,832	81,652	3,175,972	2,478,420	778,989	1,131,370	13,630	-1,379	2,138,290	1,960,614	1,037,682
FINANCIAL ASSETS														
Shares in associated companies	1,152,797	0	6,329	260,122	0	899,004	0	0	0	0	0	0	1,152,797	899,004
Other non-current assets	19,941,143	0	32,653,601	40,254,143	0	12,340,601	7,894,340	0	7,894,340	0	0	0	12,046,803	12,340,601
	21,093,940	0	32,659,930	40,514,265	0	13,239,605	7,894,340	0	7,894,340	0	0	0	13,199,600	13,239,605
	123,569,182	0	48,902,648	46,453,339	51,618	126,070,109	39,157,580	3,292,451	9,342,259	13,630	-20,868	33,100,534	84,411,602	92,969,575

Audit opinion

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

"We have audited the consolidated financial statements prepared by Sedo Holding AG, Cologne, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined 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 [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. 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 and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 11 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

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

Cologne, March 10, 2011

The Management Board

Andreas Janssen, Tim Schumacher, Alexander Röthinger

Sedo Holding AG,

Cologne

Parent Company Financial Statements
acc. to HGB

as of December 31, 2010

Sedo Holding AG, Cologne
Balance sheet as of December 31, 2010

Assets	EUR	EUR	Dec. 31, 2009 EUR
A. Fixed assets			
I. Intangible assets			
Paid consessions, industrial and similar rights and assets as well as licenses in such rights and assets		273,941.00	450,407.00
II. Property, plant and equipment			
Other equipment, operational and office equipment		113,795.00	212,114.00
III. Financial assets			
1. Shares in affiliated companies	49,975,420.14		49,975,420.14
2. Loans to affiliated companies	34,300,000.00		35,300,000.00
3. Other loans	12,194,828.00		12,194,828.00
		96,470,248.14	97,470,248.14
		96,857,984.14	98,132,769.14
B. Current assets			
I. Accounts receivable and other assets			
1. Trade accounts receivable	458,415.44		1,027,480.16
2. Receivables due from affiliated companies	13,413,719.11		10,698,990.26
3. Receivables due from companies in which an investment is held	0.00		33,112.66
4. Other assets	1,452,121.62		3,010,275.68
		15,324,256.17	14,769,858.76
II. Cash in hand and bank balances		6,084,239.98	5,021,511.47
		21,408,496.15	19,791,370.23
C. Prepaid expenses		4,631.05	29,208.29
		118,271,111.34	117,953,347.66

Equity and liabilities	EUR	EUR	Dec. 31, 2009 EUR
A. Equity			
I. Capital stock [1)]	30,455,890.00		30,455,890.00
II. Capital reserves	66,202,111.31		102,099,662.21
III. Accumulated loss	0.00		-43,579,242.67
		96,658,001.31	88,976,309.54
B. Accruals			
1. Accrued taxes	2,652,423.21		3,857,693.78
2. Other accruals	1,275,136.15		3,754,811.74
		3,927,559.36	7,612,505.52
C. Liabilities			
1. Bonds, thereof convertible EUR 563 (prior year: EUR 4,063.00)	563.00		4,063.00
2. Liabilities due to banks	0.00		1,400,000.00
3. Trade accounts payable	156,870.48		919,398.02
4. Liabilities due to affiliated companies	17,497,690.63		18,990,408.39
5. Other liabilities thereof EUR 25,955.06 from taxes (prior year: EUR 50,610.85) thereof EUR 4,392 for social security (prior year: EUR 0)	30,426.56		50,663.19
		17,685,550.67	21,364,532.60
		118,271,111.34	117,953,347.66

[1)] There is also conditional capital of EUR 15,144,010.00 (prior year: EUR 11,044,010.00)

Sedo Holding AG, Cologne
Income statement for 2010

		EUR	EUR	2009 EUR
1.	Sales	2,847,678.84		10,656,672.20
2.	Other operating income	2,545,729.51		646,517.78
			5,393,408.35	11,303,189.98
3.	Cost of materials			
	Cost of purchased services	1,614,437.50		6,542,284.39
4.	Personnel expenses			
	a) Wages and salaries	1,073,817.38		3,038,186.11
	b) Payments for social security, pensions and support	77,888.65		471,362.62
	thereof EUR 0 for pensions (prior year: EUR 5,359.55)			
5.	Amortization and depreciation of intangible assets and property, plant and equipment	267,764.80		506,556.72
6.	Other operating expenses	1,988,232.58		7,852,284.68
			5,022,140.91	18,410,674.52
7.	Income from investments	0.00		21,361,129.08
	thereof EUR 0 from affiliated companies (prior year: EUR 1,087,631.82)			
8.	Income from profit transfer agreements	9,212,590.69		15,845,925.60
9.	Income from other securities and loans of financial assets	1,468,653.67		1,596,883.59
	thereof EUR 961,281.03 from affiliated companies (prior year: EUR 1,446,480.43)			
10.	Other interest and similar income	291,676.50		12,162.69
	thereof EUR 251,391.92 from affiliated companies (prior year: EUR 175.76)			
11.	Income from write-ups of financial assets	0.00		16,942,042.06
12.	Amortization of financial assets	0.00		529,694.00
13.	Interest and similar expenses	415,214.55		1,402,194.67
	thereof EUR 167,949.03 from affiliated companies (prior year: EUR 788,818.61)			
			10,557,706.31	53,826,254.35
14.	Result from ordinary activities		10,928,973.75	46,718,769.81
15.	Taxes on income	3,243,467.90		2,889,175.75
16.	Other taxes	3,814.08		2,796.00
			3,247,281.98	2,891,971.75
17.	Net profit for the year		7,681,691.77	43,826,798.06
18.	Loss brought forward from previous year		-43,579,242.67	-87,406,040.73
19.	Withdrawal from capital reserves		35,897,550.90	0.00
20.	Accumulated loss		0.00	-43,579,242.67

General comments

These annual accounts have been prepared in accordance with Sec. 242 ff. and Sec. 264. of the German Commercial Code (HGB) in the version of the German Accounting Law Modernization Act (BilMoG), as well as with the German Stock Corporation Law (AktG). The regulations for large corporations apply.

The income statement is prepared according to the cost summary method.

In order to enhance the clarity of presentation, certain items of the balance sheet and income statement have been combined and are therefore displayed and explained in detail separately in these notes to the annual financial statements.

By the first preparation of the annual accounts according to BilMoG, on the basis of the right to choose provided by Section 67 (8) sentence 2 EGHGB, last year's comparative figures were not adjusted.

Accounting and valuation methods

Intangible assets acquired for consideration are capitalized at acquisition cost and, insofar as their value diminishes, amortized according to their expected useful life (3 to 6 years; straight-line method).

Property, plant and equipment are valued at acquisition or production cost and depreciated in scheduled amounts, insofar as their value diminishes, over their normal useful lives.

Property, plant and equipment are depreciated over their expected useful lives by the straight-line method.

Low-value items with an individual value of no more than EUR 150.00 are fully written-off in the year of acquisition; it is assumed that they are disposed of immediately. Assets with a net individual value of more than EUR 150.00 but less than EUR 1,000.00 are depreciated over their expected useful lives. The depreciations on additions to the fixed assets otherwise are effected pro rata temporis.

In the case of **financial assets**, shares are recorded at the lower of the acquisition cost or realizable value and loans at their nominal values.

Receivables and other assets are recorded at nominal value. All risk-bearing items are covered by reasonable lump-sum bad debt allowances. Non-interest bearing receivables with due dates of over one year are discounted. Interest-free receivables with a term of more than a year are discounted.

Cash and cash equivalents are stated at their nominal values.

Tax provisions and **other provisions** consider all contingent liabilities and possible losses from pending transactions. They are set at the level deemed necessary according (i.e. including future increases in costs and prices) to sound commercial judgment. Provisions with a remaining time of more than one year are reduced. **Liabilities** are set at the amount to be paid.

For the determination of **latent taxes** due to temporary or quasi-permanent differences between the values assigned to assets, debts and accruals and deferrals in accordance with commercial law and their values for taxation purposes or on the basis of tax loss carry-forwards, the amounts of the tax burden or relief are calculated with the company-individual tax rates at the time of the settlement of the differences and not discounted. Active and passive tax latencies are shown without being balanced out.

Currency translation

Assets and liabilities listed in foreign currencies are converted in principle using the spot exchange rate on the balance sheet date. With a remaining term to maturity of more than one year the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the acquisition cost principle (Sec. 253 (1) Sentence 1 HGB) is observed.

Notes to the balance sheet items

Fixed assets

The development of individual fixed asset items and annual depreciation amounts are shown in the fixed asset analysis (notes appendix).

The financial assets of the company essentially consist of shares in affiliated companies, loans to affiliated companies and a vendor loan granted to Hi-media S.A. during the sale of the Display Marketing segment.

Shareholdings

	Currency	Shareholding %	Equity in million l.c.	Net profit in million l.c.
Domestic				
Response Republic Beteiligungs-gesellschaft Deutschland GmbH, Montabaur [2]	EUR	100	33.9	0.0
affilinet GmbH, Munich[2]	EUR	100	3.3	0.0
Sedo GmbH, Cologne[1, 3]	EUR	100	13.4	0.0
Foreign				
affilinet Ltd., London/UK[3]	GBP	100	-2.5	-1.1
affilinet SAS, Levallois-Perret/France[3]	EUR	100	5.6	-0.3
affilinet España SLU, Madrid/Spain[3]	EUR	100	0.1	0.0
affilinet Nederland B.V., Haarlem/Nederlands[3]	EUR	100	0.1	0.0
DomCollect Worldwide Intellectual Property AG, Zug/Switzerland[3]	EUR	100	0.1	0.1
DomainsBot s.r.l, Rom/Italy[3]	EUR	49	1.0	0.2
DomainsBot Inc., San Francisco/USA[3]	USD	49	0.0	0.0
Intellectual Property Management Company Inc., Delaware/USA[3]	USD	49	-0.6	-0.4
Sedo London Ltd., London/UK[3]	GBP	100	0.0	0.0
Sedo.com LLC, Boston/USA[3]	USD	100	0.7	2.2

1) After profit transfer to Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur
2) After profit transfer to Sedo Holding AG, Cologne
3) Indirect holding

Loans

In order to finance the purchase of shares in affilinet SAS in fiscal year 2006, a long-term credit line of EUR 17.0 million was granted to affilinet GmbH, of which, EUR 16.0 million was repaid in the previous year. The credit line had a term until December 31, 2010 and was repaid completely as of August 31, 2010.

For the purchase of shares in Sedo GmbH in fiscal year 2006, Sedo Holding AG provided Response Republic Beteiligungsgesellschaft Deutschland GmbH with a long-term loan of EUR 34.5 million with a term until December 31, 2011. As of the balance sheet date, the loan had a unchanged value of EUR 34.3 million.

In accordance with the general loan agreement of December 20, 2008, Sedo Holding AG increased an existing loan to affilinet UK of GBP 1.0 million to GBP 1.75 million. The loan has a maximum term until December 31, 2011. As of December 31, 2010, affilinet UK had made full recourse to the credit. Due to the future financial and earnings position of affilinet UK, the value of the loan granted was already adjusted in full in fiscal year 2008.

	Term			Total
	Within 1 year	due 1 to 5 years	Over 5 years	
Loans to affiliated companies in EUR k	34,300	0	0	34,300

Receivables and other assets

	Dec. 31, 2010 EUR k	Dec. 31, 2009 EUR k
Trade receivables	458	1,027
of which due in more than one year	0	0
Receivables from affiliated companies	13,414	10,699
of which due in more than one year	0	0
Receivables from associated companies	0	33
of which due in more than one year	0	0
Other assets	1,452	3,011
of which due in more than one year	0	0
	15,324	14,770

Receivables from affiliated companies mainly comprise balances from trade with subsidiaries as well as cost allocations, receivables from profit transfer agreements with affilinet GmbH and Response Republic Beteiligungsgesellschaft Deutschland GmbH, and cash pool receivables.

The decrease in other assets results mainly from the final booking of trade income tax for the previous years, the corporation tax refund resulting from a tax audit in the year under report, as well as the fact that in the year under report the prepayments will not significantly exceed the tax expenditure.

There are no receivables due from the shareholder.

Cash and cash equivalents

As of December 31, 2010, the Company had cash and cash equivalents amounting to EUR 6.084 million (previous year: EUR 5.022 million). Sedo Holding AG ("pool leader") has signed agreements with various Group members ("pool participants") concerning a central cash management system. The pool participants undertake to transfer cash and cash equivalents not required to a central account held with Commerzbank AG.

As of the balance sheet date, the Company had access to the following credit lines:

Credit lines as of December 31, 2010	**in EUR million**
Commerzbank AG (until further notice)	15.0
Postbank AG*	2.0
Total:	**17.0**

The credit lines amounting to EUR 1.4 million from Commerzbank AG had been completely repaid as of the balance sheet date.

Capital stock

The Management Board was authorized by the Annual Shareholders' Meeting of May 19, 2010, to raise the Company's capital stock by up to EUR 15,200,000 (Authorized Capital 2010).

The Management Board is authorized, with the consent of the Supervisory Board, to raise the Company's capital stock in the period up to May 18, 2015 in one or several amounts, by up to EUR 15,200,000.00 by issuing new no-par value shares for cash or consideration. The Management Board is further authorized, under certain circumstances, also with the respective consent of the Supervisory Board, to decide whether to exclude the subscription rights of shareholders.

In the year under report no use was made of the approved capital, so that as of the balance sheet date the approved capital 2010 amounted to EUR 15,200,000. The approved capital 2005 limited until May 17, 2010, amounting to EUR 12,900,000 was taken up in the financial year 2009; as of November 20, 2009 a increase of non-cash capital was carried out, as a consequence of which 4,250,000 new shares were issued. The approved capital 2005 thus amounted to EUR 8,650,000 as of December 31, 2009.

As a result, capital stock was unchanged at EUR 30,455,890 and is divided into 30,455,890 no-par value, registered shares with a theoretical share in the capital stock of EUR 1.00 each.

In addition, capital stock was increased conditionally by up to EUR 1,044,010 divided into up to 1,044,010 no-par value shares (Conditional Capital 2004) and by up to EUR 14,100,000 divided into up to 14,100,000 no-par value shares (Conditional Capital 2010). The Conditional Capital 2004 was made in order to grant conversion rights to bearers of convertible bonds. The conditional capital increase in 2010 served the granting of shares to the owners or creditors of options or convertible bonds which, in accordance with the authorization of the Annual Shareholders' Meeting will be issued by the company from May 19, 2010 to May 18, 2015.

At the Annual Shareholders' Meeting of May 19, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to acquire treasury shares representing up to ten percent of capital in the period ending May 19, 2015.

As of December 31, 2010 capital stock was held as follows:

	TEUR	%
United Internet AG	23,998	78.79
Tim Schumacher	1,658	5.45
Free float	4,391	14.42
Supervisory Board	409	1.34
	30,456	100.0

The capital reserves as of December 31, 2010, were EUR 66,202k (previous year: EUR 102,100k). To December 31, 2010, in accordance with Sec. 150, (4) No. 2. AktG, EUR 35,898k was withdrawn from the capital reserves in order to compensate for the loss carried forward from the previous year, less the annual surplus of the year under report.

Accumulated deficit

In the period under review, Sedo Holding AG posted a net income of EUR 7,682k (previous year: net surplus of EUR 43,827k).

After consideration of the loss carried forward from fiscal year 2009 amounting to EUR 43,579k, and the afore-mentioned withdrawal from the capital provisions, overall there was a deficit of EUR 0 in the 2010 fiscal year.

Other provisions

	Dec. 31, 2010 EUR k	Dec. 31, 2009 EUR k
Tax provisions	2,653	3,858
Other provisions	1,275	3,755
	3,928	7,613

The increase in other provisions results mainly from provisions for risks from current contracts totaling EUR 700k (previous year: EUR 3,075k). The decline resulted largely from the release of a provision (EUR 1,575) which was no longer necessary due to a positive alteration to a contract. Based on a new estimate of the management, a further provision for risks still existing from current contractual obligations was adjusted by EUR 759k. Otherwise, other provisions primarily comprise personnel-related provisions, such as bonuses, commissions and outstanding holidays (EUR 113k; previous year: EUR 184k) and provisions for auditing and legal costs (EUR 157k; previous year: EUR 107k), for Supervisory Board remuneration (EUR 45k; previous year: EUR 95k) and for the Annual Shareholders’ Meeting and the Annual Report (EUR 90k; previous year: EUR 87k).

Liabilities

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

Table of liabilities

Liability type	Dec. 31, 2010 in EUR k up to 1 year	Due 1 to 5 years	Total	Dec. 31, 2009 in EUR k up to 1 year	Due 1 to 5 years	Total
1. Bonds,						
thereof convertible	1	0	1	3	1	4
2. Bank liabilities	0	0	0	1,400	0	1,400
3. Trade payables	157	0	157	919	0	919
4. Liabilities due to						
affiliated companies	17,495	0	17,495	18,967	0	18,967
5. Liabilities due to stockholder	3	0	3	23	0	23
5. Other liabilities	30	0	30	51	0	51
- thereof for tax	26	0	26	51	0	51
- thereof for social security	4	0	4	0	0	0
	17,686	0	17,686	21,363	1	21,364

The bonds concern convertible bonds granted to executives of the Sedo Holding Group as part of the employee stock ownership plan.

Sedo Holding Media AG issued no convertible bonds to employees of the Sedo Holding Group in fiscal year 2010.

Convertible bonds issued as part of the employee stock ownership plan of Sedo Holding AG in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004, entitle the bearer to convert each nominal amount of EUR 1 into a no-parvalue registered share in Sedo Holding AG having a theoretical share in the capital stock of EUR 1. If the conversion option is exercised, an additional cashpayment has to be made in the amount by which the conversion price exceeds one-tenth of the par value of the convertible bond. The conversion price corresponds to the arithmetic mean of the share price of Sedo Holding AG on the last five trading days before the convertible bonds are issued, plus a premium of 20%. The issue date is the day of which the Management Board resolves to issue the convertible bond.

Up to 25% of the convertible bonds issued as part of the employee stock ownership plan of Sedo Holding AG in accordance with a resolution of the Annual Shareholders' Meeting of May 17, 2004 may be converted at the earliest 24 months after the date of issue; up to 50% at the earliest 36 months after the date of issue. A total of up to 75% may be exercised at the earliest 48 months after the date of issue; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the Sedo Holding AG shares which were approved on April 8, 2005 (“5th tranche”), the result being EUR 0.91 per share.

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 68.00%
- Expected term: 5 years
- Risk-free interest: 3.50%

The following assumptions were made to calculate the fair value of the options associated with the conversion rights of the Sedo Holding AG shares which were approved on May 23, 2005 (“6th tranche”), the result being EUR 1.71 per share.

•	Dividend yield:	0%
•	Volatility of the Sedo Holding AG share:	68.00%
•	Expected term:	5 years
•	Risk-free interest:	3.50%

Virtual stock options

With a resolution adopted on August 1, 2007, the Management Board of Sedo Holding AG implemented a new employee stock ownership.

The new employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of Sedo Holding AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company’s share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company’s share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the issue price.

An SAR corresponds to a virtual subscription right for one share of Sedo Holding AG. However, it is not a share right and thus not a (genuine) option to acquire shares of Sedo Holding AG. Sedo Holding AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring Sedo Holding AG shares from its stock of treasury shares to the beneficiary at the strike price.

In the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the Company is legally forbidden to issue shares), or cash settlement was common business practice or the declared Company guideline in the past, or the Company generally settles in cash if the beneficiary so desires.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

With a resolution of September 3, 2007 and approval of the Supervisory Board on September 4, 2007, the first tranche was issued to senior managers of the Sedo Holding Group. The resolution comprises a volume of up to 230,000 virtual stock options at a subscription price of EUR 15.51 (**Tranche A**). 50,000 units of this tranche relate to employees of affilinet GmbH. The remaining SARs and respective option rights have expired due to the departure from the Sedo Holding Group of the employees concerned.

With a resolution of November 28, 2007 and approval of the Supervisory Board, a second **Tranche B** tranche was issued to the Management Board member Andreas Janssen. The tranche issued comprises a volume of 200,000 at a strike price of EUR 17.41.

With a resolution of February 22, 2008 and approval of the Supervisory Board on February 26, 2008, a third tranche was approved for issue to senior managers of the Sedo Holding Group. The resolution comprises a volume of up to 60,000 virtual stock options at a subscription price of EUR 18.15 (**Tranche C**). 30,000 units of this tranche relate to employees of affilinet GmbH. The remaining SARs and respective option rights have expired due to the departure from the Sedo Holding Group of the employees concerned.

With the approval of the Supervisory Board, a resolution was adopted on March 6, 2008 to issue a fourth **Tranche D** to Stéphane Cordier, Chairman of the Management Board (until September 30, 2009). The issued tranche comprises a volume of 200,000 units at a strike price of EUR 18.60. In an agreement dated September 29, 2009, Mr. Cordier waived the right to 200,000 SARs granted to him but not yet exercised.

With the approval of the Supervisory Board, a resolution was adopted on October 30, 2008 to issue a fifth **Tranche E** to senior managers of a foreign subsidiary. The issue comprises a volume of 7,200 virtual stock options at a strike price of EUR 7.43. The issued tranche has completely expired due to the departure of the employees concerned in 2009.

With a resolution of the Management Board on March 25, 2009, and the approval of the Supervisory Board, a sixth **Tranche F** was issued to a senior manager of the Sedo Holding Group. The issue comprises a volume of 30,000 virtual stock options at a subscription price of EUR 3.72.

With a resolution of the Supervisory Board on March 30, 2009, SARs were issued to the Management Board member Andreas Janssen. The issued seventh **Tranche G** comprises a volume of 100,000 virtual stock options at a subscription price of EUR 3.72.

With a resolution of the Management Board on May 25, 2009, and the approval of the Supervisory Board, an eighth **Tranche H** was issued to two senior employees of the Sedo Holding Group. The issue comprises a volume of 70,000 virtual stock options at a subscription price of EUR 4.32. 30,000 units already expired in 2009 due to the departure of one of the employees concerned.

With a resolution of the Management Board on March 22, 2010, and the approval of the Supervisory Board, a ninth **Tranche I** was issued to a senior employees of the Group. The issue comprises a volume of 40,000 virtual stock options at a subscription price of EUR 4.21.

As of the balance sheet date a provision of EUR 29k was made for imminent claims, as the share price of Sedo Holding AG on the balance sheet date and as of the preparation of the annual financial statements was above the exercise price of tranches F and G. For all other tranches the share price of Sedo Holding AG was below the respective exercise price, so that the exercise of rights appeared improbable and, therefore, no provisions were formed. Obligations arising from the virtual stock option program for employees of the Sedo Holding Group employed abroad are accounted for on the level of the respective foreign subsidiary.

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

	Dec. 31, 2010 EURk	Dec. 31, 2009 EURk
Tranche A (expiry of 20,000 units in 2010)	210	263
Tranche B	723	723
Tranche C	116	116
Tranche F	18	18
Tranche G	62	62
Tranche H	31	31
Tranche I	26	-

This resulted in the following average market values:	EUR
Tranche A	4.20
Tranche B	3.61
Tranche C	3.86
Tranche F	0.62
Tranche G	0.62
Tranche H	0.77
Tranche I	0.65

The following assumptions were made:

Tranche A

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

Tranche B

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 55.00%
- Expected term: 5 years
- Risk-free interest: 3.86%

Tranche C

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 39.62%
- Expected term: 5 years
- Risk-free interest: 3.61%

Tranche F

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 72.91%
- Expected term: 5 years
- Risk-free interest: 2.61%

Tranche G

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 72.91%
- Expected term: 5 years
- Risk-free interest: 2.47%

Tranche H

- Dividend yield: 0%
- Volatility of the Sedo Holding AG share: 77.96%
- Expected term: 5 years
- Risk-free interest: 2.81%

Tranche I

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

Finance

As of December 31, 2010, there was a credit line agreement with Commerzbank AG for EUR 15.0 million and a guarantee agreement for EUR 500k. The credit line has been granted until further notice. As of December 31, 2010 the Company had made no recourse to the cash credit line and EUR 209k of the guarantee credit line. As of January 21, 2011, the afore-mentioned credit agreement was canceled by the Company due to enough liquidity. A new credit line for EUR 250k was agreed.

The credit line agreement with WestLB AG for EUR 20.0 million terminated according to schedule on May 7, 2010 and was not extended by the Company. The liabilities of Sedo Holding AG to affiliated companies result mainly from Sedo Holding Group's internal cash pool plus interest. In this connection we refer to the notes on cash and cash equivalents.

Contingent liabilities

In a letter dated February 22, 2010, the Company made a commitment to affilinet Ltd., London, UK, to acquire the liabilities of this subsidiary in the event of possible insolvency. With this letter of support, the continued existence of affilinet Ltd. is secured until December 31, 2011.

The Company also has an indirect liability from the letter of subordination submitted by Sedo GmbH, Cologne, to DomCollect Worldwide Intellectual Property AG, Zug, Switzerland. In fiscal year 2010, DomCollect Worldwide Intellectual Property AG posted a net income of EUR 68k. Furthermore in fiscal year 2010 a capital increase of EUR 617k was realized whereby the Company is no longer over-indebtedness. The company thus continues to be over-indebted. As of December 31, 2010, DomCollect Worldwide Intellectual Property AG had liabilities from loans due to its parent company Sedo GmbH, Cologne, amounting to EUR 6,000k. In a contract dated February 17, 2011, an agreement was made with the parent company to subordinate its claims below the receivables of all current and future creditors of the company to such an extent as to avoid over-indebtedness.

Sedo Holding AG does not expect any demands from the contingent liabilities associated with its subsidiary companies, since their planning indicates a positive business trend.

Other financial obligations

In addition to these commitments, other financial obligations amount to EUR 171k (of which to affiliated companies EUR 14k). These obligations include the following items:

Type of other financial obligation in EURk	Due up to 1 year	Due 1 to 5 years	Due over 5 years	Total Total
Payment obligations from lease agreements	16	0	0	16
Others	155	0	0	155
	171	0	0	171

Future obligations from rental agreements result from the rental agreement with Sedo GmbH which has existed since March 2010 for the offices in Cologne and amount to EUR 14k. The lease runs until further notice. In addition there is an unlimited rental agreement for archive space. The minimum payment obligation arising from this is EUR 2k.

The other financial obligations of EUR 155k result from a purchase commitment in connection with an existing project contract.

Notes to the income statement

Sales revenue

Sales revenue of EUR 1.5 million was generated within the Group, mainly resulting from the passing on of costs arising from existing service agreements with the subsidiary companies.

The sales revenues from third parties of EUR 1.3 million largely results from revenues of the media companies sold in 2009. This concerns services which Sedo Holding AG rendered for its former subsidiary companies.

Other operating income

Other operating income of EUR 2.5 million (previous year: EUR 0.6 million) is largely the result of the liquidation of a provisions relating to other periods for risks arising from current contracts (EUR 2.3 million) as well as revenues from currency valuations of EUR 0.2 million (previous year: EUR 0.4 million).

Income from investments and profit transfer agreements

Income from investments results from the profit transfer of affilinet GmbH (EUR 3,317k; previous year EUR 5,585k) and Response Republic Beteiligungsgesellschaft Deutschland GmbH (EUR 5,896k; previous year EUR 10,261k) to Sedo Holding AG. In the previous year dividend payments amounting to EUR 1,426k were also included; in addition, there was non-recurring income of EUR 19,935k from the sale of the Display Marketing segment to Hi-media S.A. (EUR 15,125k), from the sale of the Hi-media shares received to United Internet Beteiligungen GmbH (EUR 1,421) and from the sale of shares in Goldbach Media AG to United Internet Beteiligungen GmbH (EUR 3,389k).

Income from the write-up of financial assets

Income from the write-up of financial assets amounting to EUR 16,942k consists of the partial reversal in the carrying value of shares in affiliated companies which were sold to Hi-media S.A. (EUR 4,300k), as well as from the partial reversal in the carrying value of loans granted to affiliated companies which were also sold at their nominal amount (EUR 4,748k). Moreover, there was a partial reversal in the carrying value of shares in Goldbach Media AG (EUR 7,894k). In fiscal year 2010 no income were realized by write-up of financial assets.

Other operating expenses

Other operating expenses of EUR 2.0 million (previous year: EUR 7.9 million) result mainly from legal, consulting and auditing costs of EUR 1.1 million (previous year: EUR 2.4 million), third-party IT services of EUR 0.4 million (previous year: EUR 0.5 million), as well as costs for the Annual General Meeting and Annual Report of EUR 0.1 million (previous year: EUR 0.1 million).

Taxes on income and profit

Taxes on income and profit in the 2010 fiscal year amount to EUR 3.2 million (previous year: EUR 2.9 million). Of this total, EUR 2.6 million was accounted for by the result of ordinary business activities: EUR 0.6 million consisted of expenditure not relating to the period. This resulted, in particular, from the adjustment of tax obligations from previous years.

Other disclosures

Management Board

As of December 31, 2010, the Management Board of Sedo Holding AG consisted of three members: Andreas Janssen (CFO), Tim Schumacher (CEO) and Alexander Röthinger (CTO).

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of Sedo Holding AG is performance-oriented and consists of fixed and variable elements.

The fixed element is paid monthly as a salary. The size of the variable element is dependent upon the attainment of certain fixed financial objectives identified at the beginning of the year and related to the budget.

Total remuneration paid to the members of the Management Board for fiscal year 2010 amounted to EUR 534k (previous year: EUR 933k). Of this total, the fixed sums accounted for EUR 456k (previous year: EUR 597k) and the variable sums for EUR 78k (previous year: EUR 55k) of total remuneration. In previous year remuneration paid to former Management Board Members Stéphane Cordier and Mark Stilke (until September 30, 2009) amounted to EUR 593k.

In accordance with the terms of his service contract, Mr. Janssen receives performance-oriented compensation of EUR 70k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no bonus payment below 90% and the maximum bonus is limited to 120% of target achievement. Mr. Janssen also received 200,000 SARs (Tranche B) at a strike price of EUR 17.41 as part of the Stock Appreciation Rights (SAR) agreement. In addition, Mr. Janssen received 100,000 SARs (Tranche G) at a strike price of EUR 3.72 as part of the Stock Appreciation Rights (SAR) agreement. The fair value of the tranche amounts to EUR 0.62.

In accordance with the terms of his service contract, Mr. Schumacher receives performance-oriented compensation of EUR 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no payment below 90% and the bonus is limited to 120% target achievement.

In accordance with the terms of his service contract, Mr. Röthinger receives performance-oriented compensation of EUR 50k gross, on top of his fixed salary, if the quantitative and qualitative targets previously agreed with the Company's Supervisory Board are achieved. A target achievement range of 90% to a maximum of 120% is generally agreed, i.e. there is no payment below 90% and the bonus is limited to 120% target achievement. Mr. Röthinger also received 30,000 SARs (Tranche A) at a strike price of EUR 15.51 as part of the Stock Appreciation Rights (SAR) agreement. The fair value of the tranche amounts to EUR 3.75.

Total remuneration was divided up as follows:

	Dec. 31, 2010		
	Fixed	Variable	Total
Andreas Janssen	186	32	218
Tim Schumacher	135	23	158
Alexander Röthinger	135	23	158
	456	78	534

The variable remuneration listed applies to the 2010 fiscal year and provision was made for it as of December 31, 2010. A decision has not yet been reached on the actual sum, i.e. a payment will only be made in 2011.

Supervisory Board

As of December 31, 2010, the Supervisory Board of Sedo Holding AG consisted of:

Michael Scheeren, qualified banker,

Ralph Dommermuth, CEO of United Internet AG

Andreas Gauger, businessman

The Chairman of the Supervisory Board, Mr. Michael Scheeren, was also a member of the supervisory boards of United Internet AG, Montabaur, United Internet Media AG, Montabaur, 1&1 Internet AG, Montabaur (Chairman), Goldbach Media AG, Küsnacht, Switzerland. Mr. Ralph Dommermuth was also chairman of the supervisory board of United Internet Media AG, Montabaur. Mr. Andreas Gauger was also a member of the supervisory board of Fonpit AG, Berlin, and up to September 2010 of Virtual Minds AG, Freiburg. Moreover, Mr. Andreas Gauger was a member of the Administrative Committee of Finalfolder AG, Baar, Switzerland, ACAN Invest AG, Baar, Switzerland, ACAN Management AG, Baar, Switzerland and an Independent Board Member of Parallels Inc., Bermuda.

For the fiscal year 2010, the members of the Supervisory Board will receive remuneration totaling EUR 45k (previous year: EUR 45k). At the Annual Shareholders’ Meeting on May 19, 2010, the members of the Supervisory Board declared their renunciation of the variable remuneration for the 2009 fiscal year. The amount of EUR 50k reserved for this purpose as of December 31st, 2009 was dissolved and allocated to earnings.

In accordance with a resolution adopted by the Annual Shareholders' Meeting of May 26, 2008, Supervisory Board remuneration comprises the following components. Each member of the Supervisory Board receives a fixed amount of EUR 15,000.00 per year. The chairman of the Supervisory Board receives twice this amount. In addition to this fixed amount, each Supervisory Board member (including the chairman) receives a variable amount based on the Company’s performance. The variable amount is EUR 250.00 for every EUR 0.01 of earnings per share, as disclosed in the Company’s consolidated financial statements, which exceeds a minimum amount of EUR 0.30 per share.

In an agreement with the Supervisory Board members, it is Company policy not to provide remuneration for supervisory board seats within the Group.

As of December 31, 2010, the Supervisory Board held 409,013 shares. This total was divided as follows:

	Shareholding	
	Dec. 31, 2010	Dec. 31, 2008
Michael Scheeren	72,656	72,656
Ralph Dommermuth (since November 16, 2009) [1]	335,357	335,357
Andreas Gauger	1,000	1,000
Total	409,013	409,013

[1] via Ralph Dommermuth Beteiligung GmbH

Employees

In the past fiscal year, there was an annual average of 13 (previous year: 35) full-time employees.

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

	2010	**2009**
Product Management and Marketing	0	6
Sales	0	1
Administration	12	17
IT	1	11
	13	**35**
Board	3	3
Apprentices	0	2
Total	**16**	**40**

Group relations

In accordance with Sec. 315a HGB, Sedo Holding AG prepared consolidated annual financial statements for the 2010 fiscal year according to the IFRS of the International Accounting Standards Board (“IASB”), as applied in the EU.

These consolidated annual financial statements are in turn included in the consolidated annual financial statements of United Internet AG, Montabaur, as the highest Group company, which are also published in the Electronic German Federal Gazette.

Appropriation of profit

The Executive Board proposes, with the approval of the Supervisory Board, to set off the annual surplus against the loss carried forward, as well as to completely balance the remaining loss carried forward by withdrawals from the capital reserve.

Auditing and consulting expenses

In fiscal year 2009, fees of EUR 199k (previous year: EUR 373k) were invoiced on the level of Sedo Holding AG. These include auditing fees of EUR 126k (previous year: EUR 140k), tax consultancy services of EUR 73k (previous year: EUR 145k) and other services of EUR 0k (previous year: EUR 88k).

Disclosure obligations acc. to Sec. 160 (1) No. 8 AktG

Mr. Ralph Dommermuth notified us pursuant to section 21 (1) WpHG ("German Securities Trading Act"), that on September 22, 2004, his percentage of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur exceeded the threshold of 75% and amounted to 82.45% (21,275,408 voting rights). Thereof 82.45% (21,275,408 voting rights) were attributed to him pursuant to section 22 (1) sentence 1 no. 1 WpHG.

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

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Tim Schumacher informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% and 5% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the afore-mentioned date, Mr. Tim Schumacher held 5.45% of our capital stock (1,658,393 voting rights).

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Ulrich Priesner informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the afore-mentioned date, Mr. Ulrich Priesner held 4.09% of our capital stock (1,246,436 voting rights).

In accordance with Sec. 21 (1) WpHG ("German Securities Trading Act"), Mr. Marius Würzner informed us as of November 24, 2009, that his shareholding as of November 20, 2009 exceeded the reporting thresholds of 3% of voting rights in AdLINK Internet Media AG, Elgendorfer Strasse 57, 56410 Montabaur. As of the aforementioned date, Mr. Marius Würzner held 3.72% of our capital stock (1,133,540 voting rights).

Corporate Governance Code declaration acc. to Sec. 161 AktG

The Management Board and Supervisory Board of Sedo Holding Media AG submitted its statutory declaration for 2009 pursuant to Sec. 161 AktG regarding the recommendations of the "Government Commission German Corporate Governance Code". The declaration is permanently available to shareholders on the Internet portal of Sedo Holding AG (www.SedoHolding.com).

In the declaration, the Management Board and Supervisory Board of Sedo Holding AG state that, with certain exceptions, they comply, and will continue to comply, with the recommendations of the Government Commission.

Cologne, March 10, 2011

The Management Board

Andreas Janssen, Tim Schumacher, Alexander Röthinger

Sedo Holding AG, Cologne

Development of fixed Assets 2010

		Acquisition and production costs				Accumulated amortization/depreciation				Net book value	
		Jan. 1, 2010	Additions	Disposals	Dec. 31, 2010	Jan. 1, 2010	Additions	Disposals	Dec. 31, 2010	Jan. 1, 2010	Dec. 31, 2010
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**										
	Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	2,654,428.13	300.00	0.00	2,654,728.13	2,204,021.13	176,766.00	0.00	2,380,787.13	273,941.00	450,407.00
II.	**Property, plant and equipment**										
1.	Other equipment, operational and office equipment	534,586.66	25,252.23	114,530.97	445,307.92	328,350.66	86,236.23	76,760.47	337,826.42	107,481.50	206,236.00
2.	Low-cost assets	8,952.09	4,928.57	3,299.85	10,580.81	3,074.09	4,762.57	3,569.35	4,267.31	6,313.50	5,878.00
		543,538.75	30,180.80	117,830.82	455,888.73	331,424.75	90,998.80	80,329.82	342,093.73	113,795.00	212,114.00
III.	**Financial assets**										
1.	Shares in associated companies	49,975,420.14	0.00	0.00	49,975,420.14	0.00	0.00	0.00	0.00	49,975,420.14	49,975,420.14
2.	Loans to affiliated companies	37,302,276.34	0.00	1,000,000.00	36,302,276.34	2,002,276.34	0.00	0.00	2,002,276.34	34,300,000.00	35,300,000.00
3.	Other loans	12,194,828.00	0.00	0.00	12,194,828.00	0.00	0.00	0.00	0.00	12,194,828.00	12,194,828.00
		99,472,524.48	0.00	1,000,000.00	98,472,524.48	2,002,276.34	0.00	0.00	2,002,276.34	96,470,248.14	97,470,248.14
		102,670,491.36	30,480.80	1,117,830.82	101,583,141.34	4,537,722.22	267,764.80	80,329.82	4,725,157.20	96,857,984.14	98,132,769.14

Audit opinion

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

> “We have audited the annual financial statements comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report of Sedo Holding AG, Cologne, for the fiscal year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.
>
> We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 11 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Titov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

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

Cologne, March 10, 2011

The Management Board

Andreas Janssen, Tim Schumacher, Alexander Röthinger