



com**BOTS**®

QUARTERLY AND MID-YEAR REPORT

AS OF JUNE 30, 2006





COMBOTS AG THE FIRST HALF-YEAR 2006 AT A GLANCE

- * Development of the basic product for the launch version in due time
- * Built-up of one of Europe's most powerful data centers almost completed
- * Successful premiere of the ComBOTS service on July 13, 2006
- * Step-by-step market rollout started
- * Starting September 1, 2006, ComBOTS will be released to the general public
- * Effective staffing of the bulk of open positions planned for 2006
- * Mid-year net loss of -13.9 million Euro due to projected investments
- * Sound financial basis: 450 million Euro on reporting date June 30, 2006
- * Since the beginning of the fiscal year, the market value of our shareholdings in United Internet rose by 38 percent to 260 million Euro

COMBOTS AG FINANCIALS AT A GLANCE

in mln. Euro, except for share details

	Q2/2006	Q2/2005	Q1-Q2/2006	Q1-Q2/2005
Revenues	0	0.2	0	0.4
Research and development	(8.9)	(2.9)	(15.3)	(5.6)
Operating result	(12.4)	(3.4)	(20.9)	(6.1)
Financial income	3.3	0.7	4.9	1.7
Net result for the period	(9.3)	1.8	(13.9)	3.4
Net result per share – undiluted (in Euro)	(0.26)	0.05	(0.39)	0.09
Cash and marketable securities	450.0	105.3	450.0	105.3
Balance sheet total	501.2	164.0	501.2	164.0



COMBOTS AG

CONTENTS

Quarterly and Mid-Year Report as of June 30, 2006

Letter to Shareholders	04
Analysis of the Consolidated Financials	08
Consolidated Profit and Loss Statement	13
Consolidated Balance Sheet	14
Consolidated Cash Flow Statement	15
Development of Shareholder's Equity	16
Financial Calendar & Imprint	17



COMBOTS Q2/2006

LETTER TO SHARE- HOLDERS



COMBOTS AG LETTER TO SHAREHOLDERS

- * Development of the basic product for the launch version in due time
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Dear Madam, Dear Sir, Fellow Shareholders,

Together with our partners we have coped with a major challenge: after intensive preparatory work, we presented our new Internet-based communication service as promised just before the Annual General Meeting on July 13. Thanks to ComBOTS, fun, simplicity and privacy are at last back in Personal Digital Communication. Everybody can now gather their friends on his desktop, send everything via drag & drop, share emotions, make calls or exchange messages with just one click. Incredibly easy to use, extremely powerful, with a lot of fun and 100 percent spam-free.

The product presentation met with a highly positive response from both media and audience. Following the premiere, the market launch started. Thousands of initial users are now being invited step by step to test the product and disseminate it to others. With the opening of the IFA in Berlin, the world's largest Consumer Electronics trade fair, ComBOTS will be available to the general public on September 1.



We have charted a course which is to turn ComBOTS into the world's most successful company for Personal Digital Communication. We are pleased to invite you to share this future.

During the first half year 2006 we set the course for a successful market launch of ComBOTS.

The business development during the last three months was marked even more than before by our efforts to take ComBOTS to market maturity. Across all functional areas of our company, we invested extensively into the product introduction phase. Here we focused on the completion of the ComBOTS communication service in time as well as on the built-up of one of Europe's most powerful data centers on our premises in Karlsruhe. Consequently, research and development expenditure amounted to 8.9 million Euro during the second quarter and was on a higher level compared to the previous quarter (6.3 million Euro).

The company was able to hire 54 new employees during the second quarter, thus staffing most of the open positions planned for 2006. This was a prerequisite in order to provide a solid and scalable organization which is prepared for worldwide success. Consequently, the headcount increased to 153 by the end of June.



Based on the investments in the new service as well as into our organization and infrastructure, the groups' consolidated pre-tax result (EBT) for the second quarter amounted to -8.3 million Euro (Q1/2006: -6.8 million Euro). Both earnings before taxes as well as the net loss for the first half-year period came out within the range of expectations at -15.1 million Euro and -13.9 million Euro respectively.

We can rely on a sound financial basis to build up ComBOTS and step up the service infrastructure

Now ComBOTS results from careful preparation during the past three years: with the dedicated commitment of our highly skilled employees, more than 100 patent applications filed worldwide and a technology which is designed for more than 100 million users. An essential prerequisite to this is our deep knowledge of what counts to make digital communication truly exciting.

Our striving for market leadership in Personal Digital Communication not only requires qualified people, state-of-the-art technologies and intellectual property rights in respect of the product, but also sound financial resources in order to maintain and develop these success drivers. At present, i.e. on the reporting date June 30, 2006, we have sufficient liquid assets to the amount of more than 450 million Euro. They originate mostly from the sale of the WEB.DE portal business to the United Internet Group, for which we received 200 million Euro in cash and a 9.31 percent stake in United Internet AG. From the beginning of the year to June 30, 2006, the market value of our shareholdings in United Internet rose by 38 percent, to 260 million Euro from 188 million Euro.



Like all equities, the share price of United Internet is subject to fluctuations. However, we continue to be convinced of the long-term benefits associated with our alliance with United Internet and the related financial participation in the development of the German Internet market. The alliance is an important cornerstone to reach our goals.

We are concentrating all our efforts on the success of our product.

For you as a shareholder it is important to be able to assess the future potential of your investment. We are thoroughly convinced of the success of ComBOTS and we are working every day at full capacity to reach our goals step by step. However, during the launch phase planning uncertainty is of course very high. For that reason we need the experience of at least two to three quarters before we can derive robust planning data in respect of the most relevant economic parameters. At present we assume in a positive scenario that we will break even in fiscal 2008. If market penetration is lower than expected, we anticipate the break-even point not until fiscal 2009. We will constantly revise the internal planning and we will give an update as soon as the extent and speed of the business development is more predictable. Depending on the success of our product, we will use the available resources for upcoming expansions.



From Karlsruhe via Berlin into the big wide world.

In order to be prepared for the mass market, we will be able to gather valuable experience with the first user groups by the IFA trade fair in Berlin. As a shareholder you continue to have the opportunity to be part of this before the trade fair. You may simply register through the online service for emailing of the documents for next year's annual general meeting. Following registration on our AGM website with your shareholder and PIN numbers, you let us know your e-mail address and will soon have the pleasure of belonging to the first generation of ComBOTS users.

At the IFA Berlin our service will without any doubt be in the spotlight of a worldwide audience. Afterwards there will be virtually no limits to its worldwide dissemination, since ComBOTS exploits the benefits of personal relationships. Science refers to this as the "small world phenomenon" because in general everybody in the world can be reached through a chain of six friend-to-friend connections. We use this mechanism for our distribution concept called "social distribution". In addition, we have invented FriendlyWare® as a customer-friendly business model. This means that everybody can test ComBOTS as long as they wish to do so. Only if users like the product and use it regularly, do they need a regular subscription which costs only 1.99 Euro to 2.99 Euro per month depending on the contractual term. Furthermore, all users – regardless of whether they are regular member or not – can acquire low-priced individual characters for 1.49 Euro, animated emotions for 0.99 Euro or whole collections for 9.99 Euro in the ComBOTS Shop.



We just presented our first product. However, the ComBOTS share still trades close to the value of our liquid assets. This does not reflect the potential of our company, i.e. the product, three years of heavy investments, the intellectual property, the worldwide markets, our unique experience, the fast distribution concept and the attractive business model. Our next important milestone is the opening of the IFA 2006 on September 1: From that date on ComBOTS will be available to the general public.

I hope that you will soon become a customer of ComBOTS and win back your privacy in the world of digital communication based on fun and simplicity.

Kind Regards

Michael Greve
Chairman & Founder

COMBOTS Q2/2006

ANALYSIS OF THE CON- SOLIDATED FINANCIALS



COMBOTS AG ANALYSIS OF THE CONSOLIDATED FINANCIALS AS OF JUNE 30, 2006

- * First half year 2006 continued to be shaped by the future-centric investment in the building up of business operations, product development and preparations for the launch of ComBOTS
- * Since the beginning of the year the market value of our shareholdings in United Internet rose by 38 percent to 260 million Euro
- * Balance sheet total on the reporting date amounted to 501.2 million Euro; shareholders' equity 481.8 million Euro _ _ _

Business development

After the definitive completion of the transaction with United Internet AG at the beginning of 2006, the focus continues to be on the now sole business line, Personal Digital Communication.

Consequently, the first half year 2006 of ComBOTS AG continued to be shaped by the future-centric investment in the building up of business operations, product development and preparations for the launch of the new communication product, ComBOTS. The novel service for Personal Digital Communication was presented to the general public during an exclusive premiere show on July 13, 2006, the day of the Annual General Meeting.

The research and development expenditure totaling 15.3 million Euro in H1/2006 was highly concentrated on the intensive preparation for the market introduction of ComBOTS.

We have fully recorded this expenditure as a charge to the income statement. For that reason, this expenditure is reflected by a corresponding book loss during the first half year 2006. Nonetheless, these expenses and losses, respectively, constitute strategic investments in the product and the preparation of its launch.

These entrepreneurial investments are made on the basis of an extremely sound financial situation on Group level. After completion of the alliance with United Internet, the financial strength of ComBOTS AG amounts now to over 450 million Euro or more than 12 Euro per share on the reporting date June 30, 2006.

As at June 30, 2006 ComBOTS AG continues to hold 5.8 million shares (23.2 million shares since the share split on June 23, 2006) in United Internet. The price of the United Internet share rose during the reporting period from 8.11 Euro (January 1, 2006) to 11.20 Euro (June 30, 2006). This has resulted in share price gains of around 72 million Euro from the United Internet block of shares during the first half year 2006. These price gains are not recognized or included as income in the consolidated income statement.

EBITDA, EBIT and net income for the period

These share price gains from the United Internet block of shares of around 72 million Euro contrast with an EBITDA of -18.1 million Euro from operating expenses for the product development of ComBOTS and the preparation of its launch.

The consolidated earnings before taxes (EBT) amounted to -15.1 million Euro (H1/2005: -4.5 million Euro) for the continued operations during the reporting period.

During H1/2006 a positive financial income of 4.9 million Euro (H1/2005: 1.7 million Euro) was recorded beyond the share price gains with UI shares from the investment of fixed interest securities and other liquid funds plus dividend (1,450 T Euro). With a tax income of 1.2 million Euro from the reporting of deferred tax assets, the net loss from the continued operations amounted to -13.9 million Euro in H1/2006 (H1/2005: -4.5 million Euro).



Balance sheet, investments, cash flow and own shares

On the reporting date June 30, 2006, the balance sheet total of ComBOTS AG amounted to 501.2 million Euro and continued to be above the balance sheet total on December 31, 2005 (476.7 million Euro). The increase in the balance sheet total mainly stems from the above-mentioned gain in the UI share price. The equity shown in the consolidated balance sheet amounts to 481.4 million Euro as at June 30, 2006. The equity ratio hence represents 96% of the balance sheet total on the reporting date.

Apart from operating expenses in the fields of product development and launch, we invested a total of 13.7 million Euro in plant, property and equipment as well as intangible assets in H1/2006; these investments focused on hardware and other IT infrastructure (H1/2005: 7.3 million Euro).

The operating cash flow of the ComBOTS Group amounted to -49.2 million Euro in H1/2006 (H1/2005: 2.5 million Euro). -24.5 million Euro were attributable to the discontinued operations of the WEB.DE portal business and -24.7 million Euro to the continued operations of the ComBOTS line of business. The cash balance from the WEB.DE portal operations sold resulted primarily from trade tax payments of 18.1 million Euro following the portal sale and compensation payments of 8.4 million Euro to United Internet for the contractual take-over of non-cash liabilities and customer advance payments in the portal business lines WEB.DE Club and WEB.Cent.

The liquid funds (including fungible securities and 5.8 million UI shares or 23.2 shares since the share split on June 23, 2006) amounted to 450.0 million Euro as at June 30, 2006 or 12.62 Euro per traded share (i.e. share capital minus stock of own shares).

During the first half year 2006 ComBOTS AG bought back 210,528 own shares. In addition to the existing liquid funds of 450.0 million Euro, ComBOTS AG holds a total of 2.72 million own shares with a market value of 36.3 million Euro, valued at the XETRA closing price of the ComBOTS share on June 30, 2006 (13.34 Euro). The average acquisition costs of these shares amounted to 6.86 Euro which means that hidden reserves were built up based on the current share price. The stock of own shares corresponds to an arithmetic share of 2,716,462 Euro or 7.1% in the capital stock of ComBOTS AG.

At this year's Annual General Meeting ComBOTS AG decided to extend the share buyback program of the company until January 12, 2008. Consequently, the Executive Board is empowered to acquire up to 3,800,000 shares by January 12, 2008 on the basis of the principle of equal treatment. Updates on share buybacks can also be accessed during the quarter on the corporate website, in the corporate governance section.

Human Resources

On the reporting date June 30, 2006 ComBOTS AG employed a total of 153 people. The headcount has thus increased since the beginning of the year by 70, mainly in the fields of software development and IT. This development underpins the major development efforts in the field of Personal Digital Communication.

The staff structure was as follows on the reporting date:

	<u>06/30/2006</u>
Executive Board	5
Sales & Marketing	10
Research and Development, IT, Business Organization	100
General Admin, Finance and PR	38
Total	153



Stock option plan

During the first half year 2006 49,500 options were issued to employees of ComBOTS AG. Overall, 1,762,458 options to subscribe to ComBOTS shares have been issued to employees of ComBOTS AG and its subsidiaries. One option right entitles the holder to acquire one ComBOTS share. During the first half year 2006 17,320 options (H1/2005: 87,175 options) were exercised by employees of ComBOTS AG. As far as the stock option plan is concerned, which does not deviate from the financial statements 2005 on the reporting date, reference is made to the Annual Report 2005, pages 33 and 34.

Directors' Holdings

The reportable shareholdings of executive and non-executive directors as at June 30, 2006 are as follows:

Executive Board	Shares	Options
Michael Greve	none	none
Robert Gratzl	23,800	181,430
Matthias Hornberger	44,353	161,430
Heiko Schneefeld	22,300	90,000
Frank Schüler	29,150	104,670

Supervisory Board	Shares	Options
Hansjörg Reiter	none	none
Felix Greve	none	none
Karl Schlagenhaut	none	none

Cinetic GmbH, Karlsruhe, of which Matthias and Michael Greve each hold 50% of the shares, continues to hold 21,584,505 shares of ComBOTS AG. Felix Greve indirectly holds 459,400 shares of ComBOTS AG through three asset management companies.

Outlook

As promised, we presented, after intensive preparatory work up to the Annual General Meeting on July 13, 2006, our Internet-based service for the Personal Digital Communication market. Following the premiere, the market launch started. Thousands of multipliers and trendsetters will now be invited step by step to test the product. With the beginning of the International Consumer Electronics Show (IFA) in Berlin on September 1, 2006, ComBOTS will be available to the general public under www.combots.com.

During the ongoing launch phase planning uncertainty is naturally high. The coming months will show, for instance, whether the acceptance and dissemination of the service by the users will require more intensive capital expenses. Furthermore the break-even time will be dependent on both the extent and the speed of the business development. For that reason we need the experience of at least two to three quarters before we can derive robust planning data in respect of the most relevant economic parameters. At present we assume in a positive scenario that we will break even in fiscal 2008. If market penetration is lower than expected, we anticipate the break-even point in fiscal 2009. We will constantly revise this internal planning and report about it as soon as the extent and speed of the market success expected by us is more predictable.



Application of Generally Accepted Accounting Principles

The consolidated financial statements were prepared in conformity with the International Financial Reporting Standards (IFRS). All standards applicable on the reporting date (International Accounting Standards – IAS and IFRS) and all valid interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) were applied in conformity with EU legislation, taking into account the provisions of § 315a HGB (German Commercial Code).

Within the framework of the audit of the financial statements 2005, the presentation of several facts was changed compared to the quarterly financial reports published for fiscal 2005. During the preparation of the financial statements different assessments were made concerning the recognition of internally developed patents in accordance with IFRS, the valuation of the associated company Informia AG was adjusted to more recent information, a special purpose company was included in the scope of consolidation and the previously reported finance lease was accordingly eliminated. In order to ensure comparability of the quarterly financial statements, it was, therefore, necessary to take these changes into account in the comparisons of these statements and to adjust the prior year values for Q2/2005 accordingly.

These changes have an impact on the equity and net income of the last published quarterly statement Q2/2005 as follows:

A major impact on the cash flow statement was merely attributable to the extension of the scope of consolidation and the associated increase in cash and cash equivalents. It resulted in an increase in cash and cash equivalents of 723,000 Euro compared to the last published quarterly statement for Q2/2005.

in T Euro

	Shareholders' equity	Net income
According to the published quarterly statement	131,423	3,996
Effect from the extension of the scope of consolidation	(653)	(112)
Effect from the elimination of the finance lease	(308)	(81)
Effect from the non-recognition of intangible assets	(1,600)	(359)
Effect from the at equity valuation	375	(42)
Total	129,237	3,403



COMBOTS AG CONSOLIDATED PROFIT AND LOSS STATEMENT (IFRS) AS OF JUNE 30, 2006

in T Euro, except for share details

	Q2/2006	Q2/2005	Q1-Q2/2006	Q1-Q2/2005
Sales revenues	0	169	0	364
Cost of sales	0	(59)	0	(132)
Gross profit	0	110	0	232
Marketing and advertising	(1,770)	(85)	(2,439)	(145)
General administration costs	(1,729)	(554)	(3,221)	(619)
Research and development	(8,913)	(2,917)	(15,260)	(5,607)
Operating result	(12,412)	(3,446)	(20,920)	(6,139)
Financial income	3,252	741	4,938	1,726
Net income from associated companies	837	(21)	840	(42)
Earnings before tax	(8,323)	(2,726)	(15,142)	(4,455)
Tax income/expense	(1,001)	(7)	1,229	(7)
Result from ordinary operations	(9,324)	(2,733)	(13,913)	(4,462)
Result from discontinued operations	0	4,504	0	7,865
Net result for the period	(9,324)	1,771	(13,913)	3,403
Result per share				
undiluted	(0.26)	(0.05)	(0.39)	(0.09)
diluted	(0.25)	(0.05)	(0.38)	(0.09)
Average number of outstanding shares				
undiluted	35,909,076	35,634,659	35,924,733	36,162,496
diluted	36,654,260	36,226,242	36,669,917	36,754,079



COMBOTS AG

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF JUNE 30, 2006

ASSETS in T Euro

	06/30/2006	12/31/2005
Long-term assets		
Property, plant and equipment	32,460	23,669
Intangible assets	2,578	567
Investments in associates	0	332
Lendings	489	498
Marketable securities	327,664	247,947
Total long-term assets	363,191	273,013
Short term-assets		
Cash and cash equivalents	10,114	150,757
Marketable securities	112,236	40,325
Trade accounts receivable	1,534	2,178
Due from associated companies	0	194
Tax refund claims	2,841	1,670
Other assets and deferred expenses	11,245	8,531
Total short-term assets	137,970	203,655
Total assets	501,161	476,668

LIABILITIES in T Euro

	06/30/2006	12/31/2005
Shareholders' equity		
Common shares at 1 Euro	38,379	38,361
Capital reserve	104,506	104,373
Other reserve	101,201	32,523
Accumulated total result	256,664	270,577
Treasury stock	(18,627)	(16,175)
Minority interests	(278)	(782)
Total shareholders' equity	481,845	428,877
Long-term financial leasing liabilities		
Latent tax liabilities	38	0
Bank loans from leasing property company	12,269	12,269
Total long-term financial leasing liabilities	12,307	12,269
Short-term liabilities		
Trade accounts payable	3,896	9,808
Provisions	1,438	2,263
Tax provisions	190	18,095
Other short-term liabilities	1,485	5,356
Total short-term liabilities	7,009	35,522
Total liabilities	501,161	476,668



COMBOTS AG

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

AS OF JUNE 30, 2006

in T Euro

	Q1-Q2/2006	Q1-Q2/2005
Net cash provided by operating activities		
Net result for the period	(13,913)	3,403
Result from at equity investment	(837)	42
Interest income	(5,098)	(2,017)
Interest paid	160	320
Tax income	(1,229)	0
Depreciation/amortization on intangible assets and tangible assets	2,793	186
Disposal of total property, plant and equipment	130	0
Expenditure from employee stock option plan	62	144
Result from sales of marketable securities	265	190
Change in assets and liabilities		
Trade accounts receivable	644	(1,382)
Due from associated companies	194	(78)
Other assets and deferred expenses	(2,714)	(1,904)
Refund of tax	(1,171)	0
Short-term liabilities and deferred income	(28,475)	3,564
Inflow/outflow from operating activities	(49,189)	2,468
Thereof from continued operations	(24,710)	(6,040)
Thereof from discontinued operations	(24,479)	8,508
Net cash used by investing activities		
Investments in intangible assets	(2,011)	(1,777)
Investments in property, plant and equipment	(11,714)	(5,499)
Proceeds from sales of fixed assets	0	23
Change in marketable securities	(81,986)	(10,341)
Acquisition of associated companies less received liquid funds	1,169	0
Outflow of funds from investing activities	(94,542)	(17,594)
Net cash used by financing activities		
Capital increase	89	388
Acquisition of treasury stock	(2,452)	0
Raising of liabilities of the special purpose leasing company	0	53
Loan repayments	9	181
Minority interests	504	0
Inflows from interest	5,098	2,432
Outflows from interest	(160)	(320)
Inflow from financing activities	3,088	2,734
Decrease of cash and cash equivalents	(140,643)	(12,392)
Cash and cash equivalents at the beginning of the period	150,757	17,513
Cash and cash equivalents at the end of the period	10,114	5,121



COMBOTS AG

DEVELOPMENT OF SHAREHOLDERS' EQUITY (IFRS) FROM 12/31/2005 TO 06/30/2006

in T Euro

	Common stock	Capital reserves	Other reserves	Minority interests	Accu- mulated result	Treasury stock	Total
December 31, 2005	38,361	104,373	32,523	(782)	270,577	(16,175)	428,877
Capital increase of conditional capital	18	71					89
Acquisition of treasury stock						(2,452)	(2,452)
Effect from employee stock option plan		62					62
Equity variations with no effect on income from available-for-sale securities			68,678				68,678
Minority interests				504			504
Result for the period					(13,913)		(13,913)
June 30, 2006	38,379	104,506	101,201	(278)	256,664	(18,627)	481,845



COMBOTS AG FINANCIAL CALENDAR

DATES

08/30/2006	WestLB German Telco Day, Frankfurt
09/01-06/2006	Internationale Funkausstellung (IFA), Berlin
10/19/2006	Publication of Q3 and Nine-month Report
11/28/2006	German Equity Forum Fall 2006, Frankfurt

COMBOTS AG IMPRINT

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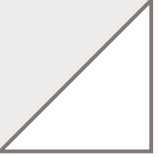
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