



com**BOTS**®

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**HALF-YEAR FINANCE REPORT**  
**AS OF JUNE 30, 2007**

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## COMBOTS AG THE FIRST HALF-YEAR 2007 AT A GLANCE

- \* Dual strategy further strengthened the substance of the company
- \* Investment in United Internet: 69 million Euro unrealized gains in the first half-year 2007 (+24%)
- \* Personal Digital Communication: Since end of Q1/2007 ComBOTS available in version 1.0;  
Start of PR & Marketing
- \* Unsatisfactory development of user numbers in Q2/2007
- \* Comprehensive adjustments already implemented
- \* Noteworthy success in terms of rising user numbers expected for Q3
- \* Cost basis during Q2 on previous quarter level: EBITDA loss decreases quarter-on-quarter by 45.3%  
to -5.8 million Euro
- \* Liquid funds and securities amount to 510.3 million Euro as of June 30, 2007  
(December 31, 2006: 462.7 million Euro)

## COMBOTS AG FINANCIALS AT A GLANCE

in mln. Euro

	Q2/2007	Q2/2006	Q1-Q2/2007	Q1-Q2/2006
Revenues	0.0	0.0	0.0	0.0
Cost of sales	(3.2)	0.0	(3.2)	0.0
Marketing and advertising	(1.0)	(1.8)	(2.2)	(2.4)
General administration costs	(0.9)	(1.7)	(1.7)	(3.2)
Research and development	(3.1)	(8.9)	(9.3)	(15.3)
Operating result (EBIT)	(8.2)	(12.4)	(16.4)	(20.9)
Amortization of intangible and tangible assets	2.4	1.8	4.7	2.8
EBITDA	(5.8)	(10.6)	(11.7)	(18.1)
Financial result	4.9	3.3	5.9	4.9
Net income from associated companies	0.0	0.8	0.0	0.8
Income taxes	0.0	(1.0)	0.0	1.2
Net result for the period	(3.3)	(9.3)	(10.5)	(13.9)
Net result for the period per share (in Euro)	(0.09)	(0.26)	(0.30)	(0.39)
Liquid funds and other securities	510.3	450.0	510.3	450.0
Shareholders' equity	536.1	481.8	536.1	481.8
Balance sheet total	553.0	501.2	553.0	501.2



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## COMBOTS AG

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# COMBOTS Q2/2007

## LETTER TO SHARE- HOLDERS



## COMBOTS AG LETTER TO SHAREHOLDERS

### Dear Madam, Dear Sir, Dear Shareholders,

Since the sale of the portal business, WEB.DE, in October 2005 our company has pursued a dual corporate strategy. On the one hand, the company has a 9.27 percent share in the United Internet Group and hence participates in the growth and success of one of the leading German Internet conglomerates with offerings in the fields Portal, E-Mail, DSL, Web-Hosting and Online advertising. On the other hand, the company invests in the development of the business unit "Personal Digital Communication".

### PERSONAL DIGITAL COMMUNICATION: ComBOTS – Version 1.0 and start of PR and marketing

Since March 14, 2007 ComBOTS has been freely available in version 1.0 for everybody. At CeBIT in Hanover the public beta test was completed and the access restrictions were lifted. At the same time, we sharpened our communication: the basic version of ComBOTS is absolutely free-of-charge.

With the availability of version 1.0 we launched a whole series of PR and marketing measures. This included the trade fair presentation and a comprehensive PR program within the framework of CeBIT, press roadshows throughout Europe, television appearances at GIGA TV as well as newsletters and IFA-Previews. Furthermore, first campaigns were implemented with Google Adwords. However, these measures did not result in the expected impact on user numbers we had hoped for.

### Disappointing development of user numbers during the first half year 2007

During the past weeks and months we unfortunately had to accept that we had clearly too few registrations per day. Furthermore, not enough invitations are made and accepted and the concept of "Social Distribution" has not yet been successful.

We have ascertained and analyzed the reasons behind this unsatisfactory situation with different tools, including user surveys, feedback from so-called friendly testers, telephone campaigns and a comprehensive user forum.

Against the backdrop of these findings we took a series of adjustment measures already during the second quarter.

In several steps we designed our Internet appearance in a more "grown-up" manner and, at the same time, we switched to pure function marketing. The withdrawal of the Characters and Emotions when addressing users was also taken into account in the product by referring to high quality objects instead of comics characters in the basic product.

In functional terms ComBOTS can now be used on a standalone basis through "FileSync", the automatic synchronization of files across all terminal devices of a user connected to ComBOTS.

Compatibility with other messengers such as ICQ, MSN, Yahoo or AOL opened the previously closed ComBOTS network to communication with widely distributed systems.



An important and, at the same time, innovative step is the new concept of the telephony function. The leading SIP Standard guarantees in future the quality of pure internet telephony and secures another added value for users: ComBOTS is now compatible with almost all VoIP-/DSL telephony carriers such as 1&1, Arcor or T-Com. ComBOTS users can use VoIP-/DSL telephony providers in order to call fixed or mobile phones at flat rate conditions in a flexible and mobile manner.

Finally we have provided ComBOTS with all basic functions in a beta version for use on mobile phones. ComBOTS Mobile allows multimedia communication with photo and file mailing, messaging, chat and emotions on a mobile phone.

### **Q3/2007 will be decisive**

The third quarter of fiscal 2007 will be of decisive significance for the future development of the business unit "Personal Digital Communication". We already have implemented extensive measures in order to improve user acceptance and increase the so far disappointing user numbers. At present the focus is exclusively on securing users, more particularly through the viral distribution process. We expect that the already implemented set of measures will create noteworthy success measured in significantly rising user numbers. In case the set of measures does not show the desired effect, the company does not rule out fundamental changes in its business strategy.

### **SHAREHOLDING IN UNITED INTERNET: Unrealized price gains of more than 200 million Euro**

The value development of the second pillar of our dual corporate strategy, the 9.27 percent share in United Internet AG, by means of which we participate in the growing success of one of

the leading German Internet conglomerates with offerings in the fields of Portal, E-Mail, DSL, Web-Hosting and Online advertising, continues to be positive. Since December 31, 2006 the market value of the United Internet shares rose by another 69 million Euro to 359 million Euro as at June 30, 2007. In this way we were able to further strengthen the substance of the company. Since we entered into this strategic investment in October 2005 the value of our share in the market leader on the German Internet increased by 204 million Euro or +132 percent. The liquid assets including tradable securities amounted to 510.3 million Euro as at June 30, 2007 (December 31, 2006: 462.7 million Euro, March 31, 2007: 496.2 million Euro).

### **FINANCIALS:**

#### **Cost basis during Q2 on previous quarter level**

During the second quarter of fiscal 2007 the cost basis again remained on an almost unchanged level on a quarter-on-quarter basis. The loss on an EBITDA basis fell compared to the prior year quarter by 45.3 percent to -5.8 million Euro (Q2/2006: -10.6 million Euro; Q1/2007: -5.9 million Euro) and was hence in line with the planning by senior management. As a result of amortizations and depreciations of 2.4 million Euro the EBIT loss fell versus the prior year quarter by 33.9 percent to -8.2 million Euro (Q2/2006: -12.4 million Euro; Q1/2007: -8.2 million Euro).

The financial and investment result of 4.9 million Euro in Q2/2007 (Q2/2006: 4.1 million Euro) was significantly influenced by the higher dividend of United Internet. Overall pre-tax losses were reduced by 54 percent versus Q1/2007 to 3.3 million Euro (Q2/2006: 9.3 million Euro).



### Outlook

The dual strategy pursued by our company since the contribution of the portal business, WEB.DE, into United Internet AG continues to have the targeted diversifying and strengthening effect.

The main focus of Personal Digital Communication will be on new users in Q3. The company has already taken comprehensive steps to significantly improve the highly unsatisfactory user acceptance up to now. The results of our efforts will have a major influence on the further business orientation.

Michael Greve  
Chairman & Founder



## COMBOTS AG

### CONSOLIDATED PROFIT AND LOSS STATEMENT (IFRS)

#### AS OF JUNE 30, 2007 (unaudited)

in T Euro, except for share details

	Q2/2007	Q2/2006	Q1-Q2/2007	Q1-Q2/2006
Revenues	3	0	3	0
Cost of Sales	(3,176)	0	(3,176)	0
<i>Thereof depreciation</i>	(1,736)	0	(1,736)	0
<b>Gross profit</b>	<b>(3,173)</b>	<b>0</b>	<b>(3,173)</b>	<b>0</b>
Marketing and advertising	(1,038)	(1,770)	(2,248)	(2,439)
General administration costs	(862)	(1,729)	(1,724)	(3,221)
Research and development	(3,142)	(8,913)	(9,291)	(15,260)
<b>Operating result</b>	<b>(8,215)</b>	<b>(12,412)</b>	<b>(16,436)</b>	<b>(20,920)</b>
Financial income	4,910	3,252	5,912	4,938
Net income from associated companies	0	837	0	840
<b>Net result before taxes</b>	<b>(3,305)</b>	<b>(8,323)</b>	<b>(10,524)</b>	<b>(15,142)</b>
Income taxes	(3)	(1,001)	(9)	1,229
<b>Net result for the period</b>	<b>(3,308)</b>	<b>(9,324)</b>	<b>(7,225)</b>	<b>(13,913)</b>
<b>Earnings per share (in Euro)</b>				
undiluted	(0.09)	(0.26)	(0.30)	(0.39)
diluted	(0.09)	(0.25)	(0.29)	(0.38)
<b>Average number of outstanding shares</b>				
undiluted	34,990,419	35,909,076	35,183,919	35,924,733
diluted	35,640,797	36,654,260	35,834,297	36,669,917



## COMBOTS AG

### CONSOLIDATED BALANCE SHEET (IFRS)

#### AS OF JUNE 30, 2007 (unaudited)

ASSETS in T Euro

	06/30/2007	12/31/2006
<b>Long-term Assets</b>		
Property, plant and equipment	31,022	33,983
Intangible assets	5,096	5,748
Lendings	340	348
Marketable securities	427,416	364,545
<b>Total long-term assets</b>	<b>463,874</b>	<b>404,624</b>
<b>Short-term assets</b>		
Cash and cash equivalents	47,585	38,152
Marketable securities	35,284	59,990
Trade accounts receivable	0	34
Tax refund claims	4,599	2,535
Other assets and deferred expenses	1,669	57,128
<b>Total short-term assets</b>	<b>89,137</b>	<b>157,839</b>
<b>Total assets</b>	<b>553,011</b>	<b>562,463</b>

LIABILITIES in T Euro

	06/30/2007	12/31/2006
<b>Shareholders' equity</b>		
Common shares at 1 Euro	38,429	38,429
Capital reserve	104,855	104,776
Other reserve	194,981	129,050
Accumulated total result	225,923	236,456
Treasury stock	(28,069)	(20,255)
<b>Total shareholders' equity</b>	<b>536,119</b>	<b>488,456</b>
<b>Long-term liabilities</b>		
Due to banks from the property leasing company	11,630	11,849
<b>Total long-term liabilities</b>	<b>11,630</b>	<b>11,849</b>
<b>Short-term liabilities</b>		
Trade accounts payable	1,548	1,939
Provisions	1,821	1,930
Tax provisions	36	36
Other short-term liabilities	1,857	58,253
<b>Total short-term liabilities</b>	<b>5,262</b>	<b>62,158</b>
<b>Total liabilities</b>	<b>553,011</b>	<b>562,463</b>



## COMBOTS AG

### CONSOLIDATED CASH FLOW STATEMENT (IFRS)

#### AS OF JUNE 30, 2007 (unaudited)

in T Euro

	Q1-Q2/2007	Q1-Q2/2006
<b>Net cash provided by operating activities</b>		
Net result for the period	(10,533)	(13,913)
Result from at equity investment	0	(837)
Interest income	(7,003)	(5,098)
Interest paid	394	160
Tax paid/income	9	(1,229)
Depreciation/amortization on intangible assets and tangible assets	4,698	2,793
Disposal of fixed assets	350	130
Expenditure from employee stock option plan	79	62
Result from sales of marketable securities	697	265
<b>Change in assets and liabilities</b>		
Trade accounts receivable	34	644
Due from associated companies	0	194
Other assets and deferred expenses	(1,226)	(2,714)
Short-term liabilities and deferred income	(210)	(28,475)
Taxes paid	(2,073)	(1,171)
<b>Cash flow from operating activities</b>	<b>(14,784)</b>	<b>(49,189)</b>
<b>Cash flow from investing activities</b>		
Investments in intangible assets	(972)	(2,011)
Investments in property, plant and equipment	(464)	(11,714)
Change in marketable securities	27,473	(81,986)
Acquisition of associated companies less received liquid funds	0	1,169
<b>Cash flow from investing activities</b>	<b>26,037</b>	<b>(94,542)</b>
<b>Cash flow from financing activities</b>		
Capital increase	0	89
Acquisition of treasury stock	(7,814)	(2,452)
Repayments of liabilities of the property leasing company	(219)	0
Repayments of loans	8	9
Minority interests	0	504
Interest received	6,599	5,098
Interest paid	(394)	(160)
<b>Cash flow from financing activities</b>	<b>(1,820)</b>	<b>3,088</b>
<b>Increase/decrease of cash and cash equivalents</b>	<b>9,433</b>	<b>(140,643)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>38,152</b>	<b>150,757</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>47,585</b>	<b>10,114</b>



## COMBOTS AG

### DEVELOPMENT OF SHAREHOLDERS' EQUITY (IFRS)

#### FROM 12/31/2006 TO 06/30/2007 (unaudited)

in T Euro

	Common stock	Capital reserve	Other reserves	Accu- mulated result	Treasury stock	Total
<b>December 31, 2005</b>	38,361	104,373	32,523	269,795	(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
Result for the period				(13,409)		(13,409)
<b>June 30, 2006</b>	<b>38,379</b>	<b>104,506</b>	<b>101,201</b>	<b>256,386</b>	<b>(18,627)</b>	<b>481,845</b>
<b>December 31, 2006</b>	38,429	104,776	129,050	236,456	(20,255)	488,456
Acquisition of treasury stock					(7,814)	(7,814)
Effect from employee stock option plan		79				79
Equity variations with no effect on income from available-for-sale securities			65,931			65,931
Result for the period				(10,533)		(10,533)
<b>June 30, 2007</b>	<b>38,429</b>	<b>104,855</b>	<b>194,981</b>	<b>225,923</b>	<b>(28,069)</b>	<b>536,119</b>

**COMBOTS**

**Q2/2007**

**NOTES TO THE  
CONDENSED  
FINANCIAL  
STATEMENTS**

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## **COMBOTS AG**

# **NOTES TO THE CONDENSED FINANCIAL STATEMENTS (unaudited)**

## **AS OF JUNE 30, 2007**

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### **1. Information about the company**

Since 2000 ComBOTS AG (previously: WEB.DE AG), Amalienbadstrasse 41, 76227 Karlsruhe, has been listed on the stock exchange. Since the sale of the portal business, WEB.DE, in October 2005 the company has pursued a dual corporate strategy. On the one hand, the company has a 9.27% shareholding in the United Internet Group and hence participates in the growth and success of one of the leading German Internet conglomerates with offerings in the fields of Portal, E-Mail, DSL, Web-Hosting and Online advertising. On the other hand, the company has invested in the development of the business unit "Personal Digital Communication". In fiscal 2006 ComBOTS AG launched, as announced, both its innovative communication service "ComBOTS" and created at the same time a fully fledged, growth-oriented technical infrastructure and organization. In this way it laid the foundations for its future growth.

### **2. Generally accepted accounting and valuation principles**

The semi-annual financial statements of ComBOTS AG for the period from January 1 to June 30, 2007 were prepared in accordance with IAS 34 "interim financial reporting" as condensed financial statements. The condensed interim financial statements do not include all information prescribed for the financial statements of a full fiscal year and should be read in connection with the annual financial statements as of December 31, 2006.

The generally accepted accounting and valuation methods applied for the preparation of the condensed interim financial statements are without exception in conformity with the methods applied in the last annual financial statements as of December 31, 2006. For the interim report the standards and interpretations IAS 1 (changed) as well as IFRIC 7 to 10 had to be applied for the first time. Their application did not have any impact on the semi-annual statements.

The interim financial statements and the interim management report were not audited in accordance with § 317 HGB (German Commercial Code) and were not reviewed by the auditor.

### **3. Use of estimates**

For the preparation of the interim financial statements the Executive Board must make estimates and assumptions. These influence the amounts stated for assets, debts and contingent liabilities on the balance sheet date as well as the recognition of income and expenses during the reporting period. Any actual amounts can deviate from these estimates.

### **4. Changes to the scope of consolidation**

Within the framework of a reorganization of the ComBOTS Group under company law, ComBOTS Product GmbH & Co. KG with registered office in Karlsruhe, was transformed into a limited liability company with fiscal and legal effect from July 1, 2006.

Furthermore, ComBOTS Product Management GmbH, Informia Asset Management GmbH and Informia AG were merged into ComBOTS Management GmbH during the second quarter of the fiscal year. ComBOTS Holding GmbH & Co. KG was integrated into ComBOTS AG.

Apart from the afore-mentioned there have been no reorganizations under company law with a major impact on the consolidated financial statements.

### 5. Revenues and cost of sales

During the second quarter of fiscal 2007 the Public Beta Phase of the product was concluded and hence the prerequisites to generating revenues with the ComBOTS product were created. The first revenues were actually generated. In this connection costs which arise in connection with the securing of the propensity to perform services are no longer reported as research and development costs but as costs of sales in the consolidated profit and loss statement.

The reported cost of sales concerns both costs of technical operations and business systems as well as costs for making available the corresponding technical and human resources. This mainly includes amortizations in the amount of 1,736 T Euro for the hardware and software used in the performance of services, the development costs capitalized over previous years, costs for the operation of the data center and the business systems, and costs for content.

### 6. Treasury shares

During the first half year 723,400 treasury shares were acquired by ComBOTS AG. The average purchase price amounted to 10.80 Euro per share which meant that the total purchase price amounted to 7,813 T Euro. The stock of treasury shares increased to 3,606,622 shares. This corresponds to a share of 9.39% in the shareholders equity. The share buybacks are reported during the half year on the corporate pages of the website in the section Corporate/Governance.

### 7. Securities

Since August 2006 securities have been categorized as available for sale.

Changes in respect of securities result on the one hand from the price increase of the shares held by ComBOTS AG in United Internet AG. The shares in United Internet AG concern a total of 23,200,000 registered shares from the sale of the portal business. On June 30, 2007 the share price was 15.47 Euro; consequently an increase in value of 2.96 Euro per share or a total of 68,672 T Euro compared to December 31, 2006 (share price: 12.51 Euro) was reported in the shareholders equity with no effect on the net profit.

On the other hand this concerns additions and disposals in the portfolio of other securities. During the first half of the fiscal year securities with a total nominal value of 47,894 T Euro became due and were paid out to ComBOTS. This concerned essentially fixed interest securities with interest rates between 1.625% and 9.75%. Within the framework of these final maturities and/or disposals losses of 697 T Euro were realized.

During the same period securities were acquired with acquisition costs of 28,269 T Euro and included in the portfolio of Available for Sale securities. This, too, mainly concerns bonds with mostly fixed and partly also variable interests between 3.625% and 5.5%.

### 8. Tax expenses

The tax expenses during the reporting period are only actual income tax. The determination of income tax is in conformity with the method applied for the last financial statements.

Within the framework of the corporate tax reform by the German legislator the tax rates were significantly lowered with effect from January 1, 2008. By decision of the Federal Council of July 6, 2007 the corresponding Bill was adopted. The German parliament had already approved the Bill on May 25. As an essential component of the Bill the corporation tax rate will be lowered from

25% to 15%. At the same time the trade tax assessment number is reduced from 500 to 350. According to a position paper by DRSC this reduction has only to be taken into account in the IFRS financial statements for the determination of deferred taxes after the approval of the Bill by the Federal Council.

Consequently, the changes resulting from the lower tax rates in respect of deferred tax liabilities and deferred tax assets only have to be taken into account in the third quarter. No major impact on the interim report for the third quarter and/or the financial statements for fiscal 2007 is expected.

### 9. Cash flow statement

For the purposes of the cash flow statement of the condensed financial statements, the cash and cash equivalents are as follows:

in T Euro \_\_\_\_\_

Liquid assets	06/30/2007	06/30/2006
Current accounts	2,039	6,748
Term money accounts	42,246	2,300
Time deposit accounts	3,300	1,066
<b>Total</b>	<b>47,585</b>	<b>10,114</b>

### 10. Share based compensation

ComBOTS has a stock option plan for the benefit of its employees. On the basis of this stock option plan stock options are granted for the first time with a fixed employment. On June 30, 2007 1,558,759 (June 30, 2006: 1,762,458) options were issued to subscribe ComBOTS shares to employees and members of the senior management of ComBOTS AG and its subsidiaries. The options may only be exercised if the ComBOTS share price has increased at least once by 10% since the issue of the option. The exercise price is determined by the stock exchange price of the ComBOTS share at the time of allocation of the option plus a premium of 10%. The options may be exercised in the amount of one-third

after the 2nd, 3rd and 4th year (lock up period) on the 3rd to 20th stock exchange trading day after the ordinary annual general meeting or the announcement of a quarterly or half year report and in the event of full exercise of the options the conditional capital would be used in an amount of up to 1,559 T Euro (June 30, 2006: 1,762 T Euro). The options become forfeited after a maximum of ten years.

The market value of the options is estimated on the day of granting in accordance with the Black Scholes Model; this is based on risk-free interest rates of 2.5% to 4.5%, a probable term of 3 years, a probable dividend return of 0% and an average future fluctuation of 10%.

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

On June 30, 2007 852,759 options for current and former employees of ComBOTS AG and 706,000 options for employees of the discontinued WEB.DE Portal business were outstanding. During the last half year a total of 13,000 new shares were issued to employees; no options were exercised. During the last half year 80 T Euro (prior year: 62 T Euro) from the options were recorded as personnel expenses.

### 11. Impairment test as at June 30, 2007

IAS 36 requires companies to check on each reporting date whether there are indications for impairment. If there are such indications, an impairment test has to be carried out. Such an indication is for instance the circumstance that the market capitalization of the company is below its book value.

Within the framework of the impairment test a first step focused on the determination of the relevant cash generating unit of the company from the last financial statements was reviewed. No change was identified.

The amount which can be generated by the cash generating unit "Personal Digital Communication" is determined on the basis of the calculation of a utilization value based on cash flow forecasts which are supported by the finance plans prepared by the senior management for a period of five years.

Cash flows after the period of five years were forecast as average cash flows of the planning period.

For this CGU three scenarios of business development were elaborated and the cash equivalent inflows and outflows were determined for each scenario. The scenarios were weighted with different probabilities of occurrence and the arising expectation value of payment flows was discounted with a risk adjusted interest rate for ComBOTS. The value in use determined was above the book value of the CGU. For that reason the disposal price minus disposal costs was not determined.

A need for impairment of the assets concerned was not determined.

### 12. Segment reporting

ComBOTS AG continues to operate in only one segment.

### 13. Directors' Holdings

The reportable shareholdings of executive and non-executive directors as at June 30, 2007 are as follows:

Management	Shares	Options
Michael Greve	none	none
Robert Gratzl	23,800	181,430
Matthias Hornberger	47,353	158,430
Heiko Schneefeld	22,300	90,000
Frank Schüler	34,150	99,670

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

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

### 14. Legal disputes

As already reported in the financial statements for fiscal 2006 an action under trademark law was instituted in 2006 in respect of the name "ComBOTS". The action was set aside at first instance by the Regional Court Dusseldorf. In January 2007 the plaintiff lodged an appeal against the judgment in due time and the matter was referred to the next instance. The appeal proceedings have since been postponed to September 18, 2007.

Furthermore, an action in rescission against the resolution of the annual general meeting 2006 on the appropriation of the balance sheet profit for fiscal 2005 was accepted in first instance by the Regional Court Mannheim in 2007. The judgement has not yet become effective. ComBOTS will appeal against the judgment.

In addition, an action has been filed by an IT service company for payment under a purchase and service contract concerning the supply of standard software plus certain service and support services. ComBOTS has filed a counterclaim. No date has so far been fixed for the court proceedings. No major charge for ComBOTS is expected in this respect.

The company is not aware of any other proceedings which could have a significant adverse effect on the earnings, liquidity or financial position or had such an impact within the last two years.

### **17. Contingent liabilities**

In connection with the sale of the Portal business to United Internet, ComBOTS Ag furnished comprehensive warranties and made representations in respect of the object of the agreement to the buyers in its capacity as seller in accordance with standard practice for such transactions. The liability of ComBOTS AG under the violation of such warranties was limited to a total amount of 100 million Euro. Concerning the performance of the main service obligations, in particular a transfer of title and other transfer obligations and the ancillary and indemnification obligations explicitly regulated in the asset contribution contract and/or in the share purchasing agreement with United Internet, an absolute maximum liability, together with claims under infringement of warranties, of 300 million Euro was agreed. The warranties have different terms; in individual cases up to five years from the time of completion (October 31, 2005).

In addition, a competition clause was agreed under which we are, amongst other things, prohibited from operating an Internet portal in German-speaking countries or a web-based German e-mail service (like the e-mail services of WEB.DE, GMX, Yahoo, MSN or T-Online) for a period of two years from execution (October 31, 2005). In the event of violation of the competition clause, a non-recurring penalty of 100 million Euro becomes due. It must be offset against the maximum liability sum for warranty violation. With the full payment of the penalty, the validity of the compensation clause ends.

An actual payment obligation under the warranties or the competition clause is not currently anticipated.

# COMBOTS

# Q2/2007

# INTERIM

# MANAGEMENT

# REPORT



## COMBOTS AG

# INTERIM MANAGEMENT REPORT (unaudited)

### AS OF JUNE 30, 2007

#### 1. Business and General Situation Strategic Overview

Since the divestment of the portal business WEB.DE in October 2005 ComBOTS has pursued a dual corporate strategy. On the one hand the company has a 9.27% share in the United Internet Group and hence participates in the growth and success of one of the leading German internet conglomerates with offerings in the fields of portal, email, DSL, web hosting and online advertising. On the other hand, the company invests in the development of the business unit Personal Digital Communication.

#### The business unit Personal Digital

Communication has been the new and only core business of ComBOTS since the divestment of the portal business WEB.DE. As opposed to the internet portal business, this business has an international orientation and a strong software basis. The ComBOTS Group is to become an internationally operating technology supplier on the future- proof market of personal digital communication in the long term.

In 2006 we launched, as announced, both our communication service ComBOTS in a first version for a limited group of test users and we created a fully developed, growth-oriented technical infrastructure and organization.

ComBOTS targets the world market; it is not a product restricted to Germany. It was designed and developed from the outset for international marketability and distribution. Consistent multilingual features, intuitive user guidance, internationally applicable payment methods and easy localization constitute the corresponding basis.

Our operating business and, more particularly, product management, development, operation and distribution of ComBOTS are carried out within the Group within our wholly owned subsidiary, ComBOTS Product GmbH & Co KG. The customer contracts are entered into with the wholly owned subsidiary of ComBOTS Product GmbH & Co KG, ComBOTS International GmbH. Within the Group ComBOTS Corporate Services GmbH, a wholly owned subsidiary of ComBOTS AG, acts as a central service provider.

#### 2. Earnings Position Shareholding in United Internet AG, Montabaur

On June 30, 2007 the ComBOTS Group continues to hold 23,200,000 shares in United Internet AG; this corresponds to a share of 9.3% in the shareholders' equity.

As a result of the takeover of the WEB.DE portal in 2005, United Internet has become the German online advertising marketing company with the largest reach, with the portals WEB.DE, GMX and 1&1.de totaling a reach of more than 18 million monthly users. United Internet hence benefits to an above average degree from the future developments in online advertising, e-commerce and other online services. With our 9.3% share in United Internet AG we benefit directly from this positive development of the internet and portal market in all areas (online advertising, DSL, online services, web hosting etc).

After a very positive business development the share price of the United Internet share rose during the first half of fiscal 2007 from 12.51 Euro (December 31, 2006) to 15.47 Euro (June 30, 2007). This has resulted in price gains from the United Internet block of shares of 69 Euro million

during the first half of fiscal 2007. These price gains are not recognized as income in the consolidated income statement but are shown with no effect on the net profit in the shareholders' equity.

### **Development of the Business Unit Personal Digital Communication**

During the first three months of the fiscal year we have reached first important milestones in product development.

Since March 14, 2007 ComBOTS has been freely available to everyone in Version 1.0. At CeBIT in Hanover the public beta test was concluded and the access restrictions were abolished. At the same time, we made our communication clearer: the basic version of ComBOTS is absolutely free of charge.

With the availability of Version 1.0 we have initiated several PR and marketing measures. This included the trade fair appearance and a comprehensive PR program within the framework of CeBIT, press road shows across Europe, television appearances at GIGA TV as well as newsletters and IFA previews. Furthermore, first campaigns were launched with Google AdWords. These measures did not, however, result in the hoped for and expected impact on user numbers.

The development of user numbers since March 2007 has been highly unsatisfactory. The planned viral distribution of the "ComBOTS" product has not worked out as required which means that up to now we have recorded too few registrations and too few accepted invitations per day. By June 30, 2007 nearly 30,000 users had registered and installed the product on their computers.

In response to this unsatisfactory development we have yet taken a whole series of adjustment measures during the second quarter.

In several steps we have made the product and internet design more "grown-up" and switched at the same time to pure function marketing. The

withdrawal of the characters and emotions when addressing users has been implemented in the product via the offering of high quality objects instead of comic characters in the basic set.

Functional, ComBOTS can now be used as a stand-alone through FileSync, the automatic synchronization of files across all terminal devices of a user connected to ComBOTS.

The compatibility to other messengers such as ICQ, MSN, Yahoo or AOL opens the so-far closed ComBOTS network to communication with widely distributed systems.

An important and at the same time innovative step is the new concept of the telephony function. The conversion to the industry leader SIP standard guarantees in future the quality of pure internet telephony and allows another added value for users: ComBOTS is now compatible with almost all VoIP/DSL telephony carriers such as 1&1, Arcor or T-Com. Users can now use ComBOTS with their existing VoIP/DSL telephony provider in order to call any fixed or mobile phones at flat rate conditions in a flexible and mobile manner.

Finally, we have made available ComBOTS with all its basic functions in a beta version for utilization on mobile phones. ComBOTS Mobile permits multimedia communication with photo and file mailing, messaging, chat and emotions on a mobile phone.

Due to the unsatisfactory development of user numbers we have not been able to generate any major sales revenues since the completion of the public beta phase when we started the operating business and revenues which merely amounted to 3 T Euro.

Since the entry into the operating business and revenue activities after the completion of the public beta phase, ie from April 1, 2007, the costs for the operation of the technical systems as well as the business systems and customer ser-





For the second quarter 2007 the EBT amounted to -3.3 million Euro versus -8.3 million Euro for Q2/2006. This corresponds to a 5.0 million Euro improvement in result in a quarter-on-quarter basis.

Overall the pre-tax loss for the first half year 2007 was 10.5 million Euro versus 13.9 million Euro during the comparable prior year period.

This pre-tax loss of 10.5 million Euro contrasted – as already mentioned – with unrealized share price gains for the United Internet block of shares not recognized in the income statement for the first half year 2007 of 69 million Euro.

### 3. Net Assets and Financial Position

#### Cashflow Statement

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

	Q1-Q2/2007	Q1-Q2/2006
Cashflow from the operating activity	(14.8)	(49.2)
Cashflow from the investing activity	26.0	(94.5)
Cashflow from the financing activity	(1.8)	3.1
Change in cash and cash equivalents	9.4	(140.6)
Cash and cash equivalents at the beginning of the reporting period	38.2	150.7
Cash and cash equivalents at the end of the reporting period	47.6	10.1

During the reporting period the cashflow from the operating activity amounted to -14.8 million Euro versus -49.2 million Euro during the comparable prior year period whereby -24.5 million Euro of the prior year amount were accounted for by the discontinued business unit WEB.DE portal. After elimination of this item there is nonetheless a significant improvement in the operating cashflow during the reporting period versus prior year. This is a direct consequence of

the successfully implemented cost and expense cutting measures during the reporting period. The tax paid during the reporting period in the amount of 2.1 million Euro mainly concerns investment income tax from dividends and interest paid.

After the completion of the large scale infrastructure and development projects at the end of fiscal 2006, investments in tangible and intangible assets amounted to 1.4 million Euro during the reporting period versus 13.7 million Euro during the comparable prior year period.

Based on the empowerments of the Annual General Meetings 2005 and 2006 723,400 treasury shares were acquired at acquisition costs totaling 7.8 million Euro or an average 10.80 Euro per share.

Inflows from interest and dividends amounted to 6.6 million Euro during the reporting period and outflows in respect of interests totaled 0.4 million Euro.

#### Net Assets and Financial Position

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

	06/30/2007	06/30/2006
Cash and cash equivalents and securities	510	463
Other short term assets	7	60
Tangible and intangible assets	36	39
<b>Total assets</b>	<b>553</b>	<b>562</b>
Short term liabilities	5	62
Long term bank liabilities from property leasing company	12	12
Shareholders' equity	536	488
<b>Total liabilities</b>	<b>553</b>	<b>562</b>









The Executive Board is convinced that the supporting framework conditions such as "Always On" internet connections and the acceptance of users of integrated communication will continue to have an excellent development.

ComBOTS currently makes enormously high development efforts in the field of personal digital communication and allocates high human and financial resources to the business unit personal digital communication that is to be developed. So far it has not yet succeeded in developing the product with sufficient market acceptance. If ComBOTS failed within an economically reviewable period to successfully develop a product accepted by the market in the business unit and/or to successfully distribute it in such a way that the revenues justified the high investments, this would have considerable adverse effects. The same applies if the launch were further delayed or would fail completely. The development during the third quarter of fiscal 2007 will be of decisive significance in this respect.

We are convinced that ComBOTS, with its inherent product features and its innovative product design, has sound market opportunities. Against the backdrop of the current situation and the so far unsatisfactory development of user numbers during the past three months, the question concerning the actual acceptance by the users cannot currently be answered in the affirmative. There is a risk of failure. This applies in particular if we were not to succeed in recruiting a sufficient number of users and/or customers for the product.

The distribution of ComBOTS on the market is to be carried out essentially on the basis of viral marketing and so-called social distribution. Within the framework of the current distribution and marketing activities the concept of social distribution has not, however, worked out as planned. If viral distribution were not sufficiently successful, the market and distribution strategy

as well as the business model must be basically reviewed and questioned.

We see the increasing industry convergence and the speed of innovation of products and technologies in the field of (digital) communication and entertainment media as confirmation of our strategic thrust and a major opportunity for our company and our products. At the same time, the enormous competitive drive in this highly attractive future-proof market also involves high risks. Should ComBOTS not succeed in adjusting in due time to essential market, product and technology trends, this would likewise have a major negative impact.

Against the backdrop of the excellent financial situation of the company it is not, however, to be expected that the existence of the company will be jeopardized in the aforementioned cases. Nonetheless, this might have a major adverse effect on the earnings, finance and asset position and might require a complete reorientation of the product, business model, business purpose and / or strategic goal of the company.

A major part of the financial resources of ComBOTS is currently held in the form of 23.2 million shares in United Internet AG. The market value of these shares amounted to 359 million Euro on June 30, 2007. Like all listed shares, these shares run the risk of considerable price fluctuations. Major share price losses cannot be ruled out because of general influences on stock markets and company-specific developments at United Internet. Such share price losses can have substantial negative effects on our earnings, financial and asset position.

A detailed description of the risk management of ComBOTS and the market, business and operating risks as well as other areas of risks is contained in the Group Management Report for fiscal 2006.

## 8. Transactions with Related Parties

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

Related persons include the members of the Executive Board, the Supervisory Board and the senior management of the subsidiaries.

The related persons and companies have not changed compared to the annual financial statements.

There were no material transactions with related parties. Further details on related parties can be found in the Annual Report 2006 on Page 51.

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## **COMBOTS AG** **AFFIRMATION BY THE STATUTORY REPRESENTATIVES** **AS OF JUNE 30, 2007**

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To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year, in accordance with German proper accounting principles of interim consolidated reporting.

Karlsruhe, July 2007

ComBOTS Aktiengesellschaft  
The Executive Board



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## COMBOTS AG FINANCIAL CALENDAR

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### DATES

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10/18/2007	Publication of Q3 and Nine-month Report
11/12/2007	German Equity Forum Fall 2007

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## COMBOTS AG IMPRINT

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