



# 2007 Annual Report

TECHNOLOGY | QUALITY | SERVICE  
SCALABLE INTERNATIONAL GROWTH

## Highlights 2007

### **March**

*asknet starts managing the worldwide online shops for Nero, a leader in digital media solutions for consumers and professionals. Nero is best known for developing Nero Burning ROM, the fastest and easiest software package for burning CDs and DVDs.*

### **June**

*asknet AG gains ParetoLogic, a major US manufacturer of security software, as a customer for its shop solution. In the asknet Academic eProcurement Portals business area, another university – the Berlin Institute of Technology – decides to use asknet's portals.*

### **July**

*Bob Lamvik was hired as the new president of asknet, Inc. in San Francisco. With over 30 years sales and marketing experience in the software and technology sector, he is driving forward the acquisition of additional new software customers in the USA and Canada.*

### **September**

*On September 1, Gerald Prior succeeds Gerhard Rumpff as CEO, taking over responsibility for strategy, equity investments, sales, marketing and communications effective immediately.*

### **October**

*asknet enters into a global eCommerce partnership with Ipswitch, Inc. (Lexington, Massachusetts), a leading developer of solutions for network monitoring, messaging and data transfer.*

### **December**

*asknet takes over global online software sales for SutiSoft, Inc., a well-known provider of business, security and service solutions based in California.*

## Contents

- 2** Letter to Shareholders
- 4** Market and Environment
- 6** Positioning
- 8** Scalable Growth
- 10** Internationalization
- 11** New Developments
- 13** Outlook
- 14** Management Report
- 24** Consolidated Financial Statements
- 40** Annual Financial Statements
- 54** Report of the Supervisory Board
- 59** Glossary & Definitions
- 60** Acknowledgements/  
Contact Information



## Letter to Shareholders

### Dear Shareholders,

Fiscal year 2007 was both our first full year on the stock market and the most successful year in the company's history. asknet's growth outperformed the market. Our gross profits exceeded our targets significantly, while our sales rose by 55%.

Our internationalization continued. Sales generated outside Germany exceeded domestic sales for the first time. The volume of US business more than doubled during fiscal year 2007. We significantly expanded our customer base in terms of the number and size of the companies we serve.

The market is rewarding our achievements in technology, quality and service. It recognizes that an eCommerce partnership is an obligation we live up to every day. Dependability and trust are at the heart of this. Our efforts focus on establishing and shaping positive customer relationships over the long term. Our mission, "Accelerate your eSales in the Digital Marketplace", puts this in a nutshell.

Online shop solutions for electronic software distribution (ESD) are asknet's core competency. Users benefit from being able to buy and download software and other digital content within a very short amount of time and begin working with it immediately. Thanks to digital sales, manufacturers of software, games and digital products can directly reach an international clientele.

asknet is a pioneer in this new market with a success story and experience stretching back to 1995:  
Our company

- > has developed and implemented specialized software procurement portals (Academic eProcurement), which are now being used by 70% of German universities,

- > was the first company in Germany to sell software via the Internet. Softwarehouse.de is now the largest download portal for standard software in Europe,
- > developed eDistribution Services, the flexible technical platform for shop solutions, and linked in all the services required to process transactions all over the world for manufacturers of digital products, such as DivX, F-Secure and Nero AG.

These solutions are based on human and innovation potential. It is this that determines the value of our company, its earnings potential and its customer potential today and even more so going forward. Our long-term international growth is based on technology, quality and service. Our positioning is based on our flexibility, quality and service. These traits have allowed us to become the global number two among independent providers of online shop solutions.

All in all, we made major progress towards the break-even point in 2007. We would like to thank you for your confidence in us and will continue our work to provide you with an attractive return on investment (ROI). We would also like to thank our employees – without whose efforts our achievements would not have been possible.

With best wishes,  
The Executive Board of asknet AG



Gerald Prior



Dr. Dietmar Waudig



Michael Konrad

## Market and Environment

*The latest study carried out by market research institute International Data Corporation (IDC) on the economic effects of information technology describes the market for electronic software distribution as extremely attractive. According to the study, average market growth in the IT sector from 2007 to 2009 will be around 46% p.a. The majority of growth is predicted in asknet's core markets – North America, Western Europe and Asia/Pacific (APAC). Information technology is expected to become the driving economic force in the EMEA region (Europe, Middle East and Africa).*

At the same time, buying habits for software and other digital products are changing significantly in favor of the Internet as a sales channel. The medium – in this case the computer – is able to handle its supply logistics by itself. The Internet is perfectly suited to satisfy the demand for software immediately and using the quickest and most direct method possible. In this process, electronic software distribution (ESD) – the sale of software via the Internet – is increasingly profiting from more and more powerful end devices and rapid, stable transmission channels, as well as from globalization, which is connecting markets and, in doing so, setting standards for information technology (IT).

The outsourcing trend is continuing unabated. Software publishers are concentrating on their core businesses, and operating online shops is not one of them. To remain competitive in the long term, platform technologies require considerable investment. Risks could arise from an understandable lack of experience with national tax laws, billing and payment methods. Updates to prices and product ranges require constant review and maintenance of the relevant data. Today, we benefit from our many years of experience and from our systematic investments in our technology. Our shop technology is based on a strong partner, Oracle.

TECHNOLOGY | QUALITY | SERVICE  
 RESULT IN  
 SCALABLE INTERNATIONAL GROWTH



WORLDWIDE INSTANT ONLINE DISTRIBUTION CHANNEL  
 FOR DIGITAL PRODUCTS

Digital Store	International Payment Processing	Logistics	Customer Service
Product Presentation	International Payment Methods	Worldwide Storage and Shipping	24-hour Service
Order Management	Invoicing	CD/DVD Layout & Production	11 Languages
Software Downloads	Cash Collection	Pick & Pack	Telephone Hotline
Web Analytics & Reporting	Credit Checks	Returns Management	E-mail Service

## Positioning

*In this market asknet offers an intelligent and flexible online shop platform that is scalable to customers' needs and suitable for all digital product sales. Service and quality take top priority throughout our service portfolio – from design through provision, implementation and management down to the commercial settlement of transactions.*

asknet customizes every online shop to the manufacturer's design, taking into account country-specific differences such as the local language, international settlement processes and country-specific tax laws. We currently operate online shops for our customers in 18 languages and 32 currencies providing 22 payment options and settlement methods.

Because of our flexible platform technology our customer base is very broad. asknet offers solutions that fit standard, as well as custom software for publishers and game vendors. This means we select the market and/or technology leader for each segment and integrate these systems into our technology. Since we are supplier- and vendor-neutral, we can focus on our customers' individual requirements and build the optimal solution for them. In addition, our extensive global marketing solutions help software publishers reach their target groups more effectively and allow for quick market changes.

This positioning forms the framework for our long-term strategic activities. Innovation, scalability and globalization form the foundation of our mission statement: "Accelerate your eSales in the Digital Marketplace."



> “In our effort to provide the highest quality e-commerce solutions to our partners and end user customers, we believe the global partnership with asknet will enhance our ability to integrate and automate all aspects of our e-commerce solution.” Gary Shottes, Vice President of Sales at Ipswitch, Inc.

Based on customer-specific key performance indicators, objectives and targets, we help our customers continually improve their business strategy and sales numbers. asknet’s shop solutions shorten the critical “time-to-market” factor, offer customers’ compellingly high scalability and security, reduce costs and risks and give our customer’s business a global reach. The asknet platform gives even smaller software manufacturers a strong sales channel that they can use to serve end customers all over the world. Our shop solution allows our customers to collect, compare and evaluate data and information on their customers so they can learn more about them. This is critical for designing and marketing their product ranges.

*Our customers appreciate the high quality and speed of our services, a partnership that is based on dependability and trust, and of course the flexibility of our technology, our employees and the services we perform.*

## Scalable growth

*Our eDistribution services and our outsourcing solutions for software developers and providers in particular were once again the company's strongest growth drivers during the period under review. In 2006, asknet's outsourcing business sales outperformed reselling via its own portals for the first time. In 2007, the proportion of sales generated abroad also exceeded asknet's domestic sales.*

In total, sales increased by 55% from €41.8 million in 2006 to €64.9 million in 2007. The Electronic Software Distribution segment rose by 79% to €44.4 million. Our US business recorded a jump in sales of 105% to €16.2 million in 2007, compared to €7.9 million in 2006.

Our system's high level of scalability allows quantitative growth without costs and efforts rising at the same pace. For example, our 55% sales increase required a rise of only 8% in the workforce. This means that profitability also rises faster than the rate of growth. Our excellent scalability allows us to react more flexibly to increased requirements in terms of services and to guarantee dependable high performance even with an increasing number of customers and the penetration of new markets..

Income from services climbed from €6.2 million to €8.8 million – a jump of 42%. This trend is also documented in the number of transactions, which rose by 80%. Whereas we processed 705,000 transactions in 2006, this number was 1.27 million in 2007. These developments led to a significant improvement in our financial position. Our net loss for the year narrowed by 36% to €2.7 million.

New eCommerce partnerships with companies such as Ipswitch, ParetoLogic and SutiSoft are typical of this trend. Since October 2007, the US company Ipswitch has been our largest customer in North America. Ipswitch is one of the leading developers of solutions for network monitoring, messaging and data transfer with over 100 million customers. asknet has assumed responsibility for the technical migration of all Ipswitch's global online shops to the asknet platform, as well as hosting and transaction processing through to software delivery.

asknet also provides the same portfolio of services to ParetoLogic, a major US manufacturer of security software. In December of 2007, asknet announced its new eCommerce partnership with SutiSoft, a provider of business, security and service solutions. All in all, we gained a total of seven new outsourcing customers in 2007. In addition, eCommerce partnerships with a number of existing customers were expanded.

For asknet, these new customers primarily mean that we can share the enormous growth potential in the coming years. These partnerships will only be fully reflected in our balance sheet for the first time in 2008. Our significant business expansion is providing increasing economies of scale. More growth will lead to larger volumes, causing our average costs to fall. Investments in infrastructure reinforce the effects of these economies of scale and extend our competitive advantage.

Our largest proprietary software portal, softwarehouse.de, also recorded encouraging growth, with gross profit of asknet AG's resale activities up 9% to €2.7 million.

We have been a certified Omniture partner since 2007. Omniture, Inc. is a pioneer in progressive online analytics technology, as well as a market-leading provider of analytics software and services. asknet uses Omniture SiteCatalyst, which makes online business more transparent and answers questions regarding customer behavior. These are important factors to decision-makers and marketing and eCommerce specialists in evaluating the effectiveness of marketing and advertising campaigns, as well as in monitoring site traffic, for navigation and eCommerce transactions and in identifying sources of sales.

We acquired a major new customer in the asknet Academic eProcurement Portals business area. Another university – the Berlin Institute of Technology – opted to use the established asknet portals. With this, we maintained our clear market lead and supply more than 70% of German universities with software products via specially developed eProcurement portals.

## Internationalization

*Our IPO in November 2006 proved to be a major advantage for the expansion of our international business by increasing asknet's acceptance as a business partner. We benefited from this in North America and Asia in particular. After all, our successful listing demonstrates our sound standing, transparency and size – factors that are underscored by a success story and experience that now stretch back over twelve years.*

In 2007, we invested the proceeds of the IPO in the continuing development of our leading technology platform and in particular in the expansion of our sales activities for the strategically important North American market. Bob Lamvik, who took over our US office in San Francisco in July 2007 and has headed our North American business since that date, played a crucial role in implementing our growth globalization efforts. From the beginning, has been instrumental in new customer business and in expanding cooperation with existing customers such as Nokia.

The establishment of the strategic partnership with the Japanese high-tech group Softbank in 2006 and the foundation of the joint venture asknet BB in Tokyo marked asknet's entry into the largest Asian software market. The market position and reach of the Softbank Group also laid the basis for moving into other Asian markets.

### IPO 2006

2006 = €41.8 million  
2007 = €64.9 million

**+55%**

## New Developments

*An attractive design and a positive experience are just as decisive for the success of web stores as for retailers. asknet is leading into the next generation of online shops with Web 2.0. Not only will this make integrating shops with existing merchandise management systems and customer management solutions even easier, Web 2.0 elements in online shops have also been demonstrated to have a positive effect on customer spending and customer loyalty.*

asknet's AJAX shop solution offers a new, sales-enhancing online shopping environment with special effects. One of the top features is the AJAX "drag & drop" functionality: Customers can drag images of the selected products into their shopping carts, or remove them again, simply by moving their mouse.

asknet is the first provider worldwide to support the download of software to mobile devices with its mobile shop solution. With this innovation, asknet has put an end to time-consuming data transfers from PCs to mobile devices. Software is made available precisely where it is needed. The mobile shop solution also allows mobile devices to be used as an alternative shopping medium: These can access the shop, with the link to download the software being sent directly to the buyer's PC.

The SiteCatalyst product from Omniture, the global leader in web analytics, enables asknet's customers to conduct a detailed analysis of user behavior and conversion rates in online shops. In this way, companies receive critical information on the effectiveness of their marketing and sales activities.

## New Developments

asknet's OCM III shop operation control module provides its outsourcing customers with information on the progress towards, or level of fulfillment of, corporate targets. The system generates key performance indicators, including for online sales over defined periods, preferred payment methods, geographical breakdown of revenue, conversion rates and average revenue per customer.

In 2007, asknet added further payment methods to the portfolio, for example ClickandBuy. In addition, we introduced a wealth of regional payment methods, such as Dankort Visa in Denmark and iDeal in the Netherlands.

> “We have analyzed the electronic software distribution market in detail. People primarily choose asknet as an eDistribution partner because of the global reach and comprehensive functionality of its technology. With an experienced service provider like asknet, we are confident that our online revenues will increase continually.” Kris Barton, General Manager Online, Nero AG

## Outlook

Our goal is to further strengthen asknet's position as a global leader in electronic software sales. This involves consolidating our technological market leadership, expanding our activities in new and established markets, the continuous enhancement of our product offering, expanding our partnerships with existing customers and increasing our brand equity.

Following the successful penetration of the US and Japanese markets, we will continue to drive forward our globalization efforts and extend our strategic focus to the increasingly important Asian and Eastern European markets. North America continues to play a leading role in our global expansion due to the opportunities there.

The scalability of our technology makes it easy for us to expand our product range with additional portal offerings for online retailers and for providers of videos, games, music, photos, and eBooks. This will make asknet one of the key providers of global eDistribution solutions for software and other digital products.

Our employees, whose intellectual capital is the basis for innovation and renewal, are at the heart of our development. We are focusing on specialization and training, both in relation to our existing staff and during the recruitment of additional new employees.

We made positive, important progress towards these goals in 2007. We will resolutely continue our efforts to make sure this remains the case.







## MANAGEMENT REPORT

### Combined Management Report of the asknet Group and asknet AG \*

#### Market Development

asknet offers its customers tailored and flexible outsourcing solutions for the global sale of software via the Internet. The market asknet is active is mainly influenced by global Internet use, the growing number of broadband connections, the growth of the software market, manufacturers' increasing focus on online sales channels and the general acceptance of eCommerce offerings.

According to market research data from Internet World Stats, over 1.3 billion people had access to the World Wide Web as of the end of 2007. This corresponds to 20% of the world population. The number of Internet users has almost quadrupled since the year 2000 and is continually increasing. At the same time, network providers are focusing on higher and higher transmission rates and systematically expanding the capacities required for this. According to TNS Infratest, the number of broadband connections worldwide rose from 100 million at the end of 2003 to over 260 million in September 2006. The American market research institutes In-Stat and eMarketer and the American auditors and consultants PricewaterhouseCoopers are predicting uninterrupted broadband growth up to the year 2010 and forecast that over 400 million households world-

wide will have a broadband connection by that time. Europe in particular was identified as the global driver of broadband technology due to its well above-average growth.

Due to increasing Internet use worldwide and the spread of broadband technology, the Internet is becoming more and more important as an additional sales channel for software manufacturers, asknet's most important target group. According to an estimate by the US market research institute IDC (International Data Corporation), the global market for downloading software via the Internet (electronic software distribution – ESD) was worth approximately USD 4.1 billion in 2007, an increase of 31% year-on-year. This represents 1.8% of the entire software market.

Despite strong growth rates in the global ESD market in past years, the market for electronic software sales is just at the beginning of its development and its growth will continue to increase in the coming years. While the software market as a whole is expected to grow by an average of 6.3% a year in the next two years to USD 263.4 billion, IDC predicts that the ESD market will more than double by 2009 to around USD 8.7

\* This management report distinguishes between asknet AG and the asknet Group. The terms "asknet Group", "asknet" and "the Company" are used as synonyms for the Group.

billion. This corresponds to a share of 3.3% of the total software market in 2009 and an average annual growth rate of 46% for the coming two years. The comparable growth rate for the past three years was 27%. The key regions are still North America and Western Europe, which together make up around 80% of the entire ESD market. This indicates the future potential of download-based Internet software sales in asknet's core markets compared with conventional sales of software products.

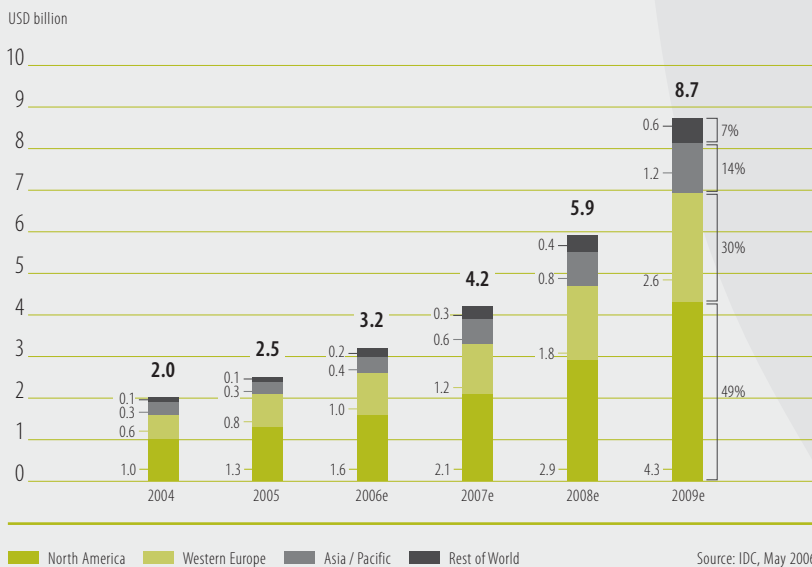
There is also further growth potential in new services such as "software as a service", in which

software is made available on the manufacturer's server and the user accesses it via the Internet, and subscription models, which regularly include software updates, as well as in customer loyalty resulting from online licensing. These services reinforce the trend towards digital licensing of software products. In addition to software product downloads, downloading games, videos and audiobooks is also becoming more important worldwide.

asknet's competitive environment did not change significantly in fiscal year 2007. asknet's main competitor in the ESD market remains the US-based Digital River Group, which offers a comparable range of outsourcing services to asknet in all regions of the world. In the Academic eProcurement Portals area (software sales to academic institutions), German IT service providers such as Bechtle, Cancom and PC-Ware are some of asknet's key competitors; this offering is mainly targeted at German-speaking countries.

All in all, the Company believes it is well positioned in the market for electronic software sales. All market indicators point to an increase in sales of digital products via the Internet.

**The Global ESD Market by Region (in USD billion)**



## Management Report

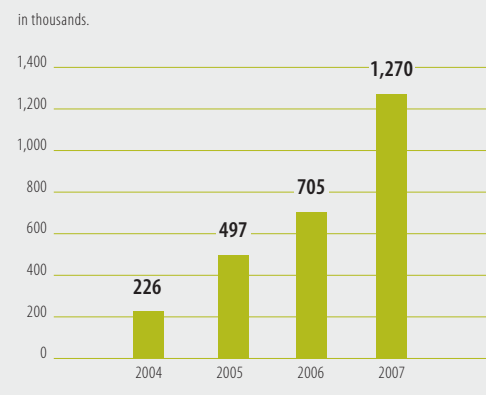
### Business Developments

The asknet Group met its sales and scaling targets in fiscal year 2007. The Company recorded a significant increase in sales and gross profit in the past twelve months. This was due to the continuing positive sales trend with existing customers as well as to the expansion of the customer base in the eDistribution Services business area. For example, in March 2007 all online shops belonging to asknet's largest European customer were migrated to the Company's technology platform and have recorded positive sales growth since that time. In addition, the announcement of a global eCommerce partnership with asknet's largest North American customer, a leading developer of network monitoring, messaging and file transfer solutions, in October started having a positive impact on the Company's sales and gross profit in the fourth quarter of 2007. The Company also recorded a strong growth rate in sales in the Academic eProcurement Portals business area. Although the asknet Group's results in the current fiscal year were a significant improvement over the prior-year period, they remained negative.

The Company generated sales of €64.9 million in fiscal year 2007, an increase of 55% year-on-year. All in all, the number of online transactions processed by it rose from around 705,000 in 2006 to 1,270,000 in the past fiscal year. This 80% jump was mainly due to the eDistribution Services business area. Germany is still asknet's

key market by sales, even though the rising proportion of sales to end customers generated abroad in 2007 reflects the Company's increasing international focus. The share of domestic sales fell from 53% to 41% in the past fiscal year, while the share of sales attributable to the US market recorded another significant increase, from 19% to 25%. In the period under review, sales in the North American market rose from €7.9 million to €16.2 million, an increase of approximately 105%.

### Online Transaction Volumes (in thousands)



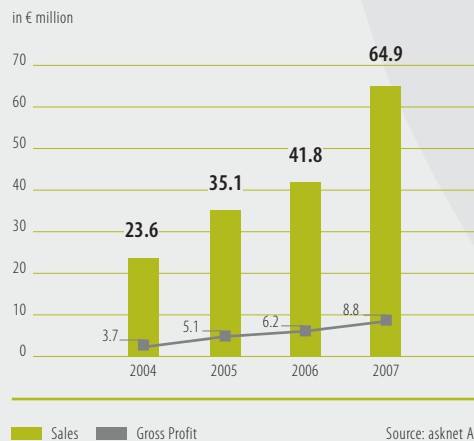
Source: asknet AG

This development is the result of the internationalization process driven forward by the Company in past years, and in particular the expansion of our presence at our US location in San Francisco and the related significant increase in sales activities in the North American market in 2007.

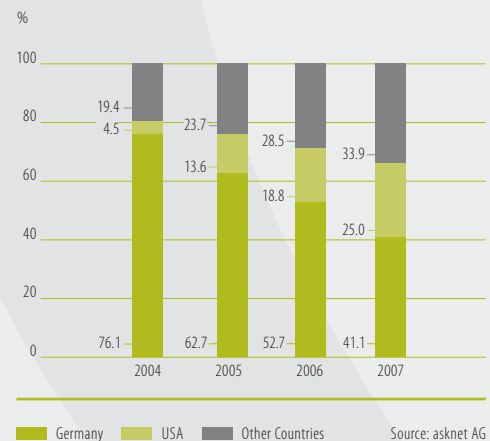
Gross profits of both the asknet Group and asknet AG rose to around €8.8 million, a year-on-year increase of about 42%. The growth in gross profits was mainly attributable to the eDistribution Services business area, which at €6.1 million constituted almost 70% of this figure. The gross profit margin was 14%, a decline of one percentage point compared with the 2006 margin.

In fiscal year 2007, the cost of materials for both the asknet Group and asknet AG amounted to approximately €56.2 million. This year-on-year increase of 57% roughly corresponds to the increase in sales over the past year. Personnel expenses including social security costs rose from €5.1 million to just under €6.1 million for the asknet Group and from €4.6 million to €5.4 million for asknet AG. These increases are due to the recruitment of seven additional employees, bringing the total Group workforce to 99 at the end of 2007. The asknet Group's other operating expenses rose from €4.9 million to €5.7 million in the period under review. asknet AG's other operating expenses were up €1.0 million to €6.5 million. This increase was mainly due to variable costs such as fees for payment providers and credit card companies.

**Sales and Gross Profit  
 (in € million)**



**Breakdown of End Customer Sales  
 by Region**



## Management Report

In fiscal year 2007, the operating result (EBIT) was €-3.2 million for asknet AG and €-3.0 million for the Group. After interest and taxes, the Company recorded a net loss of €2.7 million at Group level and a net loss of €2.9 million for asknet AG. This represents a significant reduction on the prior year, when a net loss of €5.8 million at both Group and AG level was incurred. Excluding the costs of the IPO, the net loss was €4.2 million. In this context, the benefits of scaling up the business model were demonstrated by the reduction in the ratio of personnel costs, to sales, which fell from 12.3% in 2006 to 9.3% in 2007.

### **Investments, Research and Development, Employees**

Key competitive factors for the asknet Group are investments in the ongoing development of its technology platform and the expansion of its international presence as an eCommerce service provider. In 2007, asknet's investments focused primarily on expanding the range of additional payment processes in the system, including implementation of the "Verified by Visa" and "MasterCard SecureCode" 3-D Secure technologies for processing credit cards, the integration of additional payment partners in the USA and Europe, thus enabling the expansion of the international payment portfolios, and the expansion of the range of country-specific payment options that enjoy broad local acceptance by customers. In the past fiscal year, asknet received PCI certification and therefore complies with the Payment Card Industry Data Security Standards mandated by the credit card industry. These standards

cover the installation and maintenance of data protection programs and security software as well as the encryption of transmission processes and the limitation of access to data in general. In addition, the Company invested in expanding and improving its product offering, including extending its Vendor Marketing Services and developing a tool called Mobile Cart allowing software to be purchased via mobile phones. Investments were also made in the security of the technical infrastructure, and in particular in expanding disaster recovery concepts, and in increasing the number of staff, especially in the USA. The workforce increased slightly in the past fiscal year. As of December 31, 2007, there were 99 employees in the asknet Group – 91 at asknet AG and eight at asknet Inc. in the USA. The asknet BB joint venture in Japan employed three asknet staff. Including all part-time and temporary staff, Executive Board members, vocational trainees and casual workers, the asknet Group employed 131 employees at the end of 2007.

### **Net Assets and Financial Position**

At approximately €17.0 million, the asknet Group's total assets as of December 31, 2007 were slightly below the prior-year figure. Total assets amounted to €17.6 million in the 2006 consolidated balance sheet. In the period under review, total equity declined by €2.7 million to €9.0 million, corresponding to an equity ratio of 53%. asknet had no significant debt at the balance sheet date. Liquidity decreased from €12.9 million at the end of 2006 to €9.9 million at the end of 2007. The asknet Group's liabilities

increased by €1.6 million to €6.4 million as of December 31, 2007. Around 90% of this is due to the rise in trade payables. Although the Group's operating cash flow was negative, as expected, it improved from €-4.3 million in 2006 to €-2.9 million in the period under review..

asknet AG's total assets declined by around €0.8 million compared with the 2006 annual financial statements to €17.3 million. Cash fell to €9.8 million after €12.9 million as of December 31, 2006. Equity amounted to €9.4 million, while liabilities increased by €1.6 million to €6.4 million.

### **Report on Post-Balance Sheet**

#### **Date Events**

There were no significant events after the end of the fiscal year that affect the Company's net assets, financial position and results of operations.

#### **Risk Report**

The success of asknet's business model in the eDistribution Services business area depends on ongoing demand for asknet's electronic sales solutions from software manufacturers. asknet has a limited number of business partners in this business area. The Company's top five partners accounted for around 46% of its gross profits in fiscal year 2007. If one or more key customers were to terminate or choose not to extend their agreements with asknet, this might have an adverse effect on the Company's net assets, financial position and results of operations.

asknet is dependent on the success of its international expansion strategy. At the current time, its foreign activities are primarily focused on the North American market. Expansion in this market is associated with location expenses and expenses for staff, marketing and sales in particular. The Company's aim remains to continue expanding in North America over an appropriate period of time. If it does not succeed, this might also have an adverse effect on the Company's net assets, financial position and results of operations. At the same time, increasing internationalization and the associated opportunity to acquire larger customers may be associated with a slight decline in margins.

The asknet Group reported a loss in fiscal year 2007. This is due in particular to the expansion of its international presence as an eCommerce service provider and the ongoing development of its technology platform. At the same time, the Company aims to reduce its loss significantly in the current fiscal year. Sufficient funds are available for this expansion strategy thanks to the IPO in 2006.

The Company is dependent on its management and personnel in other key positions. It aims to retain employees at the Company and/or hire additional qualified employees as needed. However, this is generally guaranteed thanks to its cooperation with qualified recruiting specialists and its strong networks in Karlsruhe, an IT hub, and with the University of Karlsruhe.

## Management Report

Paying via credit card is one of the key payment methods in the online shops that asknet develops. The availability of this payment method depends, among other things, on the Company adhering to certain requirements set out by the credit card providers regarding the security and transparency of the payment process. These requirements can change at any time, which could impact asknet's business model. In order to minimize such risks, asknet is in constant dialog with the key credit card providers and continuously improves the security of its technical infrastructure.

asknet's business activities are heavily dependent on the support of complex proprietary and third-party IT systems, the functionality of which can be impacted by internal and external factors. Despite the security provisions currently in place, processing of software sales could be impacted by failures or disruptions in proprietary or third-party IT systems. This could lead to reputational damage and financial losses, which in turn could have an adverse effect on asknet's net assets, financial position and results of operations.

The asknet Group has created a risk monitoring system. The system is constantly adapted to changing circumstances. It is focused on key financial figures and a number of performance indicators. Regular capture of this data allows

risks to be identified in good time and appropriate measures to be taken.

No significant risks over and above those mentioned in the Risk Report occurred or became known in the period up to the preparation of the Management Report.

### Outlook

Increasing global Internet use and the spread of broadband technology, coupled with the growth of the software market and a rising manufacturer focus on online sales channels, ensure that user demand for software products that can be downloaded over the Internet will continue to increase in the coming years. The asknet Group believes it is extremely well positioned in this highly attractive market segment, in particular due to its flexible technology platform and its global presence.

At the end of 2007/beginning of 2008, the Company abolished the distinction between its two eDistribution Services and ePortals business areas and focused all its activities on the Electronic Software Distribution segment and the target groups where the Company already has a leading position. These are international software manufacturers on the one hand and research and academic institutions from the former ePortals business area on the other. The



remaining activities of the ePortals business area, which includes the softwarehouse portal, the white-label portals and the corporate customer portals, are being continued unchanged. As part of this reorientation, the asknet Group also realigned the functional units in its organization along the value chain.

In addition, the Company is continually expanding and improving its software and service offering, including increasing the mobility and user friendliness of shopping as well as expanding its Vendor Marketing Services. An example of this is the new Ajax technology, which allows asknet to meet the individual needs of software manufacturers even more quickly and flexibly as well as to guide end customers more easily through the buying process in the online shop, using information and offers in a targeted manner to motivate them to make additional purchases. The most important key performance indicators are summarized in the Key Performance Indicator Reporting (KPI Reporting) service.

All in all, the management is forecasting a further sales increase of at least 40% and another significant rise in gross profit for the current fiscal year. This assessment is based on the expectation that the positive sales trend among individual existing customers will continue, as well as on the promising prospects for development offered by recently acquired customers.

The Company expects that its results for the current fiscal year will represent another significant improvement over the prior-year period.

We would like to thank all of our employees for their commitment and hard work in 2007.

Karlsruhe, March 11, 2008

asknet Aktiengesellschaft  
Electronic Business Solutions  
– The Executive Board –

signed Gerald Prior

signed Dr. Dietmar Waudig

signed Michael Konrad





## CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Financial Statements

### Consolidated Balance Sheet as of December 31, 2007

ASSETS	Dec. 31, 2007 in €	Dec. 31, 2006 in €
A. FIXED ASSETS		
I. Intangible fixed assets Concessions, industrial and similar rights and assets, and licenses in such rights and assets	125,411.86	172,801.96
II. Tangible fixed assets Other equipment, operating and office equipment	202,492.85	243,291.19
III. Long-term financial assets Shares in associates	91,526.30	172,347.70
	<b>419,431.01</b>	<b>588,440.85</b>
B. CURRENT ASSETS		
I. Inventories Merchandise	371,056.02	331,837.38
II. Receivables and other assets		
1. Trade receivables	5,437,313.87	3,269,324.07
2. Receivables from associates	10,736.00	26,880.57
3. Other assets	685,274.43	410,686.76
	<b>6,133,324.30</b>	<b>3,706,891.40</b>
III. Cash-in-hand, central bank balances, bank balances, cheques	9,945,112.90	12,912,192.72
	<b>16,449,493.22</b>	<b>16,950,921.50</b>
C. PREPAID EXPENSES	136,196.66	60,778.77
	<b>17,005,120.89</b>	<b>17,600,141.12</b>

<b>EQUITY AND LIABILITIES</b>	<b>Dec. 31, 2007 in €</b>	<b>Dec. 31, 2006 in €</b>
<b>A. EQUITY</b>		
I. Subscribed capital	5,040,000.00	5,040,000.00
II. Capital reserves	4,318,076.15	7,186,096.81
III. Currency translation differences	20,050.66	- 1,817.02
IV. Consolidated net accumulated losses	- 373,404.35	- 516,412.40
	<b>9,004,722.46</b>	<b>11,707,867.39</b>
<b>B. PROVISIONS</b>		
Other provisions	<b>1,601,187.64</b>	<b>1,064,311.05</b>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	2,183.02	0.00
2. Trade payables	5,711,559.36	4,328,252.02
3. Other liabilities of which taxes: €515,165.39 (previous year: €444 thousand) of which relating to social security and similar obligations: €51,611.37 (previous year: €1 thousand)	661,718.41	499,710.66
	<b>6,375,460.79</b>	<b>4,827,962.68</b>
<b>D. DEFERRED INCOME</b>	23,750.00	0.00
	<b>17,005,120.89</b>	<b>17,600,141.12</b>

## Consolidated Financial Statements

### Consolidated Income Statement as of December 31, 2007

	2007 in €	2006 in €
1. Sales	64,915,442.70	41,835,323.09
2. Other operating income	350,606.30	195,853.88
	<b>65,266,049.00</b>	<b>42,031,176.97</b>
3. Cost of materials		
a) Cost of purchased merchandise	– 56,078,829.82	– 35,651,122.29
b) Cost of purchased services	– 169,966.78	– 144,760.76
4. Personnel expenses		
a) Wages and salaries	– 5,253,399.88	– 4,448,465.52
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions: €4,314.26 (previous year: €2 thousand)	– 803,466.79	– 682,273.63
5. Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	– 198,589.23	– 151,149.07
6. Other operating expenses	– 5,736,734.05	– 4,933,988.71
	<b>– 68,240,986.55</b>	<b>– 46,011,759.98</b>
7. Interest and similar income	334,559.03	91,124.44
8. Expenses from shares in associates	– 72,463.67	– 82,532.30
9. Interest and similar expenses	– 3,667.85	– 205,992.13
	<b>258,427.51</b>	<b>– 197,399.99</b>
10. Result from ordinary activities	– 2,716,510.04	– 4,177,983.00
11. Extraordinary expense	0.00	– 1,649,244.34
12. Other taxes	– 8,502.57	– 7,364.01
13. Consolidated net loss for the year	– 2,725,012.61	– 5,834,591.35
14. Accumulated losses brought forward	– 516,412.40	– 3,377,138.24
15. Withdrawals from capital reserves	2,868,020.66	8,695,317.19
16. Consolidated net accumulated losses	<b>– 373,404.35</b>	<b>– 516,412.40</b>

## Consolidated Cash Flow Statement as of December 31, 2007

	2007 in € thousand	2006 in € thousand
<b>1. Cash flows from operating activities</b>		
Consolidated net loss for the year before interest paid and extraordinary items	- 2,721	- 3,980
Interest paid	- 4	- 206
Net loss for the year before extraordinary items	<b>- 2,725</b>	<b>- 4,186</b>
Depreciation, amortization and write-downs	271	234
Loss (previous year: gain) on disposal of fixed assets	3	- 1
Increase (previous year: decrease) in provisions	543	- 63
Increase in receivables and other assets	- 2,554	- 1,427
Increase in liabilities	1,611	1,156
	<b>- 2,851</b>	<b>- 4,287</b>
<b>2. Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	0	2
Purchase of intangible fixed assets	- 49	- 190
Purchase of tangible fixed assets	- 65	- 255
	<b>- 114</b>	<b>- 443</b>
<b>3. Cash flows from financing activities</b>		
Capital increases from shareholders	0	4,684
Capital increases due to IPO	0	12,960
Cost of the IPO (extraordinary item)	0	- 1,649
Repayment of bonds and loans	0	- 1,318
	<b>0</b>	<b>14,677</b>
<b>4. Cash funds at end of period</b>		
Net change in cash funds (subtotal 1 - 3)	- 2,965	9,947
Effect on cash funds of exchange rate movements	- 4	- 1
Cash funds at beginning of period	12,912	2,966
	<b>9,943</b>	<b>12,912</b>
<b>5. Components of cash funds</b>		
Cash	9,945	12,912
Liabilities to banks	- 2	0
<b>Cash funds at end of period</b>	<b>9,943</b>	<b>12,912</b>

## Consolidated Financial Statements

### Consolidated Statement of Changes in Equity as of December 31, 2007

	Subscribed capital		
	Ordinary shares in €	Preferred shares: series A in €	Preferred shares: series B in €
<b>January 1, 2006</b>	<b>393,037.00</b>	<b>1,062,045.00</b>	<b>544,918.00</b>
Conversion into ordinary shares	2,606,963.00	- 1,062,045.00	- 544,918.00
Proceeds from issuance of shares	2,040,000.00	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00
Withdrawals from capital reserves	0.00	0.00	0.00
Comprehensive income	0.00	0.00	0.00
<b>December 31, 2006</b>	<b>5,040,000.00</b>	<b>0.00</b>	<b>0.00</b>
<b>January 1, 2007</b>	<b>5,040,000.00</b>	<b>0.00</b>	<b>0.00</b>
Other comprehensive income	0.00	0.00	0.00
Withdrawals from capital reserves	0.00	0.00	0.00
Comprehensive income	0.00	0.00	0.00
<b>December 31, 2007</b>	<b>5,040,000.00</b>	<b>0.00</b>	<b>0.00</b>



Preferred shares: series C in €	Total in €	Capital reserves in €	Net accumulated losses in €	Currency translation differences in €	Group equity in €
<b>1,000,000.00</b>	<b>3,000,000.00</b>	<b>0.00</b>	<b>- 3,377,138.24</b>	<b>- 22,850.80</b>	<b>- 399,989.04</b>
- 1,000,000.00	0.00	0.00	0.00	0.00	0.00
0.00	2,040,000.00	15,881,414.00	0.00	0.00	17,921,414.00
0.00	0.00	0.00	- 5,834,591.35	0.00	- 5,834,591.35
0.00	0.00	0.00	0.00	21,033.78	21,033.78
0.00	0.00	- 8,695,317.19	8,695,317.19	0.00	0.00
0.00	0.00	- 8,695,317.19	2,860,725.84	21,033.78	- 5,813,557.57
<b>0.00</b>	<b>5,040,000.00</b>	<b>7,186,096.81</b>	<b>- 516,412.40</b>	<b>- 1,817.02</b>	<b>11,707,867.39</b>
<b>0.00</b>	<b>5,040,000.00</b>	<b>7,186,096.81</b>	<b>- 516,412.40</b>	<b>- 1,817.02</b>	<b>11,707,867.39</b>
0.00	0.00	0.00	- 2,725,012.61	0.00	- 2,725,012.61
0.00	0.00	- 2,868,020.66	2,868,020.66	21,867.68	21,867.68
0.00	0.00	- 2,868,020.66	143,008.05	21,867.68	- 2,703,144.93
<b>0.00</b>	<b>5,040,000.00</b>	<b>4,318,076.15</b>	<b>- 373,404.35</b>	<b>20,050.66</b>	<b>9,004,722.46</b>

### Auditors' Report

We have issued the following auditors' report on the consolidated financial statements and the group management report, which was combined with the management report of the Company:

"We have audited the consolidated financial statements – comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity – and the group management report, which was combined with the management report of the Company, prepared by asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with the German principles of proper auditing promulgated by the Institut der Wirtschaftsprüfer (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 group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations..

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

Mannheim, March 11, 2008

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Herrwerth  
Wirtschaftsprüfer



Schmitt  
Wirtschaftsprüfer



## Consolidated Financial Statements

### Notes to the Consolidated Financial Statements for 2007

#### General information

The accompanying consolidated financial statements were prepared in accordance with sections 290 ff. of the *Handelsgesetzbuch* (HGB – German Commercial Code).

To enhance the clarity and understandability of the consolidated financial statements, we have combined individual items of the consolidated balance sheet and the consolidated income statement. These items are explained separately in the notes. The additional disclosures required for individual items are also incorporated in the notes. The consolidated income statement was prepared using the nature of expense (total cost) method.

#### Consolidated group

The consolidated financial statements comprise asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, as the parent company, the wholly owned subsidiary asknet Inc., Tarrytown, New York, USA, which is fully consolidated, and the 40% equity interest in asknet BB Corp., Tokyo, Japan, which is accounted for using the equity method (book value method).

The initial inclusion of the equity-accounted investment asknet BB Corp., Tokyo, Japan, on June 8, 2006 did not result in any difference between

the carrying amount of the Company's investment and its share of BB Corp.'s equity. The carrying amount of the equity-accounted investment as of December 31, 2007 corresponds to the Company's share of asknet BB Corp.'s equity calculated in accordance with Japanese accounting policies and translated into euros at the closing rate.

#### Accounting policies

The financial statements of the companies included in the parent company's consolidated financial statements were prepared in accordance with uniform accounting policies.

The realization and imparity principles were complied with; assets were measured at no higher than cost.

Purchased **intangible fixed assets** are carried at cost and, if finite-lived, are amortized in accordance with their useful lives (straight-line method).

**Tangible fixed assets** are carried at cost less depreciation.

**Merchandise** is recognized at the lower of cost or market price.

Appropriate write-downs have been recognized for all identifiable **inventory** risks that relate to above-average storage periods, reduced marketability and lower replacement cost.

With the exception of customary retention of title, inventories are free from third-party rights.

**Receivables and other assets** are carried at their principal amounts. Adequate specific valuation allowances are recognized for all risk-related items; the general credit risk is covered by global write-downs.

All identifiable risks were taken into account when measuring **provisions**.

**Liabilities** are carried at their settlement amount.

**Foreign currencies** are translated at the lower of cost or the closing rates.

#### **Translation of the single-entity financial statements of asknet Inc., Tarrytown, New York, USA**

The single-entity financial statements prepared in USD of asknet Inc. were translated at the closing rate. All balance sheet items were translated into euros at the respective middle rates at the balance sheet date, with the exception of equity, which was translated at historical exchange rates. Any differences from the translation of equity arising from changes in exchange

rates compared with the previous year or with the date of initial inclusion were taken directly to the currency translation differences item.

Income and expenses were translated at the average monthly rates. The net income or loss for the year from the translated income statement was incorporated in the balance sheet. The difference between the translation of the net income or loss for the year at average monthly rates and the closing rate was taken directly to currency translation differences.

#### **Translation of the Company's share of the equity of asknet BB Corp., Tokyo, Japan**

The Company's share of the equity of asknet BB Corp., Tokyo, Japan, as of December 31, 2007 was translated at the closing rate. Any differences due to exchange rates were taken directly to currency translation differences.

#### **Consolidation principles**

The acquisition of asknet Inc. was accounted for at the company's formation date in fiscal year 2004 using the book value method by offsetting the carrying amount of asknet AG's investment against asknet Inc.'s equity. The goodwill of €2 thousand was recognized as an expense.

Receivables and liabilities, and income and expenses were eliminated. No intercompany profits or losses were required to be eliminated.

## Consolidated Financial Statements

Consolidated adjustments recognized in the income statement did not result in any deferred taxes.

### Consolidated balance sheet disclosures

#### Fixed assets

The changes in fixed assets are presented on page 38 f.

#### Current assets

##### *Receivables and other assets*

Receivables and other assets have a remaining maturity of up to one year.

##### *Bank balances*

€1,093 thousand and USD 200 thousand (approx. €136 thousand) of bank balances are reserved as collateral for guarantee commitments.

#### Equity

The subscribed capital of €5,040 thousand and the capital reserves of €4,346 thousand correspond to the balance sheet items reported by the parent company.

Consolidated net accumulated losses changed as follows:

	in € thousand
January 1, 2007	– 516
Consolidated net loss for the year	– 2,725
Withdrawals from capital reserves of the parent company	2,868
<b>December 31, 2007</b>	<b>– 373</b>

#### Liabilities

As in the previous year, all liabilities have a remaining maturity of up to one year and are not collateralized.

##### *Contingent liabilities*

Contingent liabilities relate to drawdowns of the following guarantee loans:

	in € thousand
HypoVereinsbank AG (€ basis)	193
HypoVereinsbank AG (USD basis 200.00)	136
Landesbank Baden-Württemberg	900
	<b>1,229</b>

### Other financial obligations

The Company has other financial obligations of €1,167 thousand from rental agreements and leases.

Sales	2007 in € thousand	2006 in € thousand
<b>Sales by segment</b>		
Product sales to academic institutions, business and private customers	20,544	17,036
eDistribution network	44,371	24,799
	<b>64,915</b>	<b>41,835</b>
<b>Sales by region</b>		
Germany	26,680	22,054
USA	16,229	7,881
Other countries	22,006	11,900
	<b>64,915</b>	<b>41,835</b>

### Other disclosures

#### Employees

The average number of salaried employees (excluding Executive Board members, vocational trainees and casual workers) in the fiscal year was 89 in Germany and seven abroad.

#### Total remuneration of the Executive Board

The remuneration of asknet AG's Executive Board amounted to €462 thousand.

#### Total remuneration of the Supervisory Board

The remuneration of asknet AG's Supervisory Board amounted to €75 thousand.

### Group shareholdings

As a wholly owned subsidiary, asknet Inc., Tarrytown, New York, USA, was fully consolidated in the consolidated financial statements of asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe.

asknet BB Corp., Tokyo, Japan, is included in the consolidated financial statements as an associate. asknet AG holds 40% of the shares in this associate.

Karlsruhe, March 11, 2008

The Executive Board

## Consolidated Financial Statements

### Consolidated Statement of Changes in Fixed Assets as of December 31, 2007

	Jan. 1, 2007 historical in €	Foreign exchange differences in €	Cost	
			Additions in €	Disposals in €
<b>I. Intangible fixed assets</b>				
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	748,989.86	- 21.60	48,967.76	- 216,161.81
<b>II. Tangible fixed assets</b>				
Other equipment, operating and office equipment	1,331,864.61	- 1,679.16	64,924.17	- 726,169.34
<b>III. Long-term financial assets</b>				
Shares in associates	254,880.00	- 8,357.73	0.00	0.00
	<b>2,335,734.47</b>	<b>- 10,058.49</b>	<b>113,891.93</b>	<b>- 942,331.15</b>



Dec. 31, 2007 in €	Depreciation, amortization and write-downs				Carrying amount		
	Jan. 1, 2007 historical in €	Foreign exchange differences in €	Additions in €	Disposals in €	Dec. 31, 2007 in €	Dec. 31, 2006 in €	
581,774.21	576,187.90	- 18.50	96,334.76	- 216,141.81	456,362.35	125,411.86	172,801.96
668,940.28	1,088,573.42	- 920.12	102,254.47	- 723,460.34	466,447.43	202,492.85	243,291.19
246,522.27	82,532.30	0.00	72,463.67	0.00	154,995.97	91,526.30	172,347.70
<b>1,497,236.76</b>	<b>1,747,293.62</b>	<b>- 938.62</b>	<b>271,052.90</b>	<b>- 939,602.15</b>	<b>1,077,805.75</b>	<b>419,431.01</b>	<b>588,440.85</b>





## ANNUAL FINANCIAL STATEMENTS

## Annual Financial Statements

### Balance Sheet as of December 31, 2007

ASSETS	Dec. 31, 2007 in €	Dec. 31, 2006 in €
A. FIXED ASSETS		
I. Intangible fixed assets Concessions, industrial and similar rights and assets, and licenses in such rights and assets	124,583.79	172,685.79
II. Tangible fixed assets Other equipment, operating and office equipment	189,243.40	232,667.40
III. Long-term financial assets		
1. Shares in affiliated companies	82,801.35	82,801.35
2. Loans to affiliated companies	215,000.00	215,000.00
3. Other long-term equity investments	91,526.30	276,510.00
	389,327.65	574,311.35
	<b>703,154.84</b>	<b>979,664.54</b>
B. CURRENT ASSETS		
I. Inventories Merchandise	371,056.02	331,837.38
II. Receivables and other assets		
1. Trade receivables	5,437,313.87	3,269,324.07
2. Receivables from affiliated companies	174,437.62	105,506.72
3. Receivables from other long-term investees or investors	10,736.00	26,880.57
4. Other assets	681,970.99	408,929.23
	<b>6,304,458.48</b>	<b>3,810,640.59</b>
III. Cash-in-hand and bank balances	9,766,858.77	12,877,271.10
	<b>16,442,373.27</b>	<b>17,019,749.07</b>
C. PREPAID EXPENSES	131,530.14	60,778.77
	<b>17,277,058.25</b>	<b>18,060,192.38</b>

<b>EQUITY AND LIABILITIES</b>	<b>Dec. 31, 2007 in €</b>	<b>Dec. 31, 2006 in €</b>
<b>A. EQUITY</b>		
I. Subscribed capital Contingent capital €150,000.00	5,040,000.00	5,040,000.00
II. Capital reserves	4,318,076.15	7,186,096.81
III. Net retained profits	0.00	0.00
	<b>9,358,076.15</b>	<b>12,226,096.81</b>
<b>B. PROVISIONS</b>		
Other provisions	<b>1,543,335.73</b>	<b>1,008,021.32</b>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	2,183.02	0.00
2. Trade payables	5,687,994.94	4,326,363.59
3. Other liabilities of which taxes: €515,165.39 (previous year: €444 thousand) of which relating to social security and similar obligations: €51,611.37 (previous year: €1 thousand)	661,718.41	499,710.66
	<b>6,351,896.37</b>	<b>4,826,074.25</b>
<b>D. DEFERRED INCOME</b>	23,750.00	0.00
	<b>17,277,058.25</b>	<b>18,060,192.38</b>

## Annual Financial Statements

### Income Statement as of December 31, 2007

	2007 in €	2006 in €
1. Sales	64,915,442.70	41,835,323.09
2. Other operating income	332,973.75	191,296.51
	<b>65,248,416.45</b>	<b>42,026,619.60</b>
3. Cost of materials		
a) Cost of purchased merchandise	– 56,078,829.82	– 35,651,122.29
b) Cost of purchased services	– 169,966.78	– 144,760.76
4. Personnel expenses		
a) Wages and salaries	– 4,594,217.60	– 3,986,148.86
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions: €4,314.26 (previous year: €2 thousand)	– 773,130.66	– 643,919.31
5. Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	– 193,328.18	– 147,592.41
6. Other operating expenses	– 6,464,454.80	– 5,467,378.50
	<b>– 68,273,927.84</b>	<b>– 46,040,922.13</b>
7. Income from long-term loans (all from affiliated companies)	8,600.00	8,870.98
8. Other interest and similar income of which from affiliated companies: €7,000.00 (previous year: €7 thousand)	341,559.03	98,404.44
9. Write-downs of long-term financial assets	– 184,983.70	0.00
10. Interest and similar expenses	– 3,667.85	– 205,992.13
	<b>161,507.48</b>	<b>– 98,716.71</b>
11. Result from ordinary activities	– 2,864,003.91	– 4,113,019.24
12. Extraordinary expense = extraordinary result	0.00	– 1,649,244.34
13. Other taxes	– 4,016.75	– 4,886.86
14. Net loss for the year	– 2,868,020.66	– 5,767,150.44
15. Accumulated losses brought forward	0.00	– 2,928,166.75
16. Withdrawals from capital reserves	2,868,020.66	8,695,317.19
17. Net retained profits	<b>0.00</b>	<b>0.00</b>

## Auditors' Report

We have issued the following auditors' report on the annual financial statements and the management report, which was combined with the group 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 management report, which was combined with the group management report, of asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, for the fiscal year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and 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 on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with the German principles of proper auditing promulgated by the *Institut der Wirtschaftsprüfer* (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 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 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 management report. We believe that our audit provides a reasonable basis for our opinion.

## Annual Financial Statements

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 provisions 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 management report, which was combined with the group management report, is consistent with the annual financial statements, as a whole provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future development."

Mannheim, March 11, 2008

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Herrwerth  
Wirtschaftsprüfer



Schmitt  
Wirtschaftsprüfer





## Notes to the Annual Financial Statements for 2007

### General information

The accompanying annual financial statements were prepared in accordance with sections 242 ff. and sections 264 ff. of the *Handelsgesetzbuch* (HGB – German Commercial Code) and in accordance with the relevant provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act). The Company met the size criteria for a large corporation at the balance sheet date. The income statement was prepared using the nature of expense (total cost) method.

### Accounting policies

The following unchanged accounting policies were applied to prepare the annual financial statements.

Purchased **intangible fixed assets** are carried at cost and, if finite-lived, are amortized in accordance with their useful lives (straight-line method).

**Tangible fixed assets** are carried at cost less depreciation in accordance with their expected useful lives. Low-value assets up to €410.00 are written off in full in the year of acquisition; their immediate disposal is assumed.

With respect to the **long-term financial assets** item, shares are carried at the lower of cost or fair value and loans are recognized at their principal amount. The Company's shares in an investee were written down by €185 thousand during fiscal year 2007.

**Merchandise** is recognized at the lower of cost or market price.

Appropriate write-downs have been recognized for all identifiable **inventory** risks that relate to above-average storage periods, reduced marketability and lower replacement cost.

With the exception of customary retention of title, inventories are free from third-party rights.

**Receivables and other assets** are carried at their principal amounts. Adequate specific valuation allowances are recognized for all risk-related items; the general credit risk is covered by global write-downs. Foreign currency receivables are measured at the lower of cost or the exchange rate at the balance sheet date.

## Annual Financial Statements

**Other provisions** are recognized for all uncertain obligations and expected losses from executory contracts in the amount dictated by prudent business judgement.

**Liabilities** are carried at their settlement amount. Foreign currency liabilities are measured at the higher of cost or the exchange rate at the balance sheet date.

**Foreign currencies** are translated at the lower of cost or the closing rates.

### Balance sheet disclosures

#### Fixed assets

The changes in individual fixed asset items are presented together with the depreciation and amortization in the fiscal year in the statement of changes in fixed assets.

#### Current assets

##### *Receivables and other assets*

Receivables and other assets have a remaining maturity of up to one year.

##### *Bank balances*

€1,229 thousand of bank balances is reserved as collateral for guarantee commitments.

#### Equity

##### *Subscribed capital*

The share capital amounted to €5,040,000.00 at the end of the fiscal year and is composed of no-par value registered shares (ordinary shares). Each no-par value share grants the holder one vote. The share capital was fully paid up.

##### *Authorized capital*

At the Annual General Meeting on July 28, 2006, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions in the period up to July 21, 2011, but by a total of no more than €1,800,000.00, by issuing new no-par value registered shares against cash or non-cash contributions.

Disclosures on shareholdings	Reporting date	Currency	Equity interest %	Equity in local currency	Net income/loss in local currency
asknet Inc., Tarrytown / New York, USA	Dec. 31, 2007	USD million	100.0	-0.343	0.098
asknet BB, Tokyo, Japan	Mar. 31, 2007	yen million	40.0	57.3	-42.7

#### *Contingent capital*

The Executive Board and Supervisory Board were authorized to implement a contingent capital increase of up to €150,000.00 in the form of no-par value registered shares at the Annual General Meeting on July 28, 2006. This serves to issue subscription rights.

#### *Capital reserves*

€2,868 thousand was withdrawn from the capital reserves to offset the accumulated losses brought forward and the net loss for 2007.

#### **Provisions**

##### *Other provisions*

Other provisions were mainly recognized for vacation entitlements and bonuses, contributions to the occupational health and safety agency, year-end closing costs and tax advisory costs, as well as outstanding supplier invoices.

#### **Liabilities**

As in the previous year, all liabilities have a remaining maturity of up to one year and are not collateralized.

#### *Contingent liabilities*

Contingent liabilities comprise the following drawdowns of guarantee loans:

	<b>in € thousand</b>
HypoVereinsbank AG (€ basis)	193
HypoVereinsbank AG (USD basis 200.00)	136
Landesbank Baden-Württemberg	900
	<b>1,229</b>

#### *Other financial obligations*

Other financial obligations relate to rental agreements and leases that have the following maturities:

	<b>in € thousand</b>
Less than one year	444
One to five years	679
More than five years	22

<b>Sales</b>	<b>2007 in € thousand</b>	<b>2006 in € thousand</b>
<b>Sales by segment</b>		
Product sales to academic institutions, business and private customers	20,544	17,036
eDistribution network	44,371	24,799
	<b>64,915</b>	<b>41,835</b>
<b>Sales by region</b>		
Germany	26,680	22,054
USA	16,229	7,881
Other countries	22,006	11,900
	<b>64,915</b>	<b>41,835</b>

## Annual Financial Statements

### Statement of Changes in Fixed Assets as of December 31, 2007

	Cost			Dec. 31, 2007 in €
	Jan. 1, 2007 in €	Additions in €	Disposals in €	
<b>I. Intangible fixed assets</b>				
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	748,784.85	48,122.71	216,161.81	580,745.75
<b>II. Tangible fixed assets</b>				
Other equipment, operating and office equipment	1,315,927.24	56,408.47	726,169.34	646,166.37
<b>III. Long-term financial assets</b>				
1. Shares in affiliated companies	82,801.35	0.00	0.00	82,801.35
2. Loans to affiliated companies	215,000.00	0.00	0.00	215,000.00
3. Other long-term equity investments	276,510.00	0.00	0.00	276,510.00
	574,311.35	0.00	0.00	574,311.35
	<b>2,639,023.44</b>	<b>104,531.18</b>	<b>942,331.15</b>	<b>1,801,223.47</b>

Cumulative depreciation, amortization and write-downs				Carrying amount	
Jan. 1, 2007 in €	Additions in €	Disposals in €	Dec. 31, 2007 in €	Dec. 31, 2007 in €	Dec. 31, 2006 in €
576,099.06	96,204.71	216,141.81	456,161.96	124,583.79	172,685.79
1,083,259.84	97,123.47	723,460.34	456,922.97	189,243.40	232,667.40
0.00	0.00	0.00	0.00	82,801.35	82,801.35
0.00	0.00	0.00	0.00	215,000.00	215,000.00
0.00	184,983.70	0.00	184,983.70	91,526.30	276,510.00
0.00	184,983.70	0.00	184,983.70	389,327.65	574,311.35
<b>1,659,358.90</b>	<b>378,311.88</b>	<b>939,602.15</b>	<b>1,098,068.63</b>	<b>703,154.84</b>	<b>979,664.54</b>

### Other disclosures

#### Executive bodies of asknet Aktiengesellschaft

##### Executive Board

The following persons have been appointed to the Executive Board:

##### Gerald Prior

Chairman of the Executive Board, Baden-Baden (Chief Executive Officer = CEO from September 1, 2007) and

##### Gerhard Rumpff

Chairman of the Executive Board, Karlsruhe (CEO until August 31, 2007, left on January 31, 2008)

responsible for

- (1) Business policy guidelines, corporate strategy
- (2) Corporate development
- (3) Marketing and sales
- (4) Communication (corporate communication, press, investor relations, Supervisory Board matters)
- (5) Management of foreign subsidiaries and equity interests

##### Dr. Dietmar Waudig

Executive Board member, Karlsruhe (Chief Operating Officer = COO)

and responsible for

- (1) Professional service and customer support, customer service
- (2) Research and development (product development, technical operations and technical support)
- (3) Product management
- (4) Quality management and assurance
- (5) IT, telecommunications

##### Michael Konrad

Executive Board member, Karlsruhe (Chief Financial Officer = CFO)

and responsible for

- (1) Finance and accounting
- (2) Financial control and risk management
- (3) Corporate finance
- (4) Logistics (procurement, purchasing, materials management, storage, material flows)
- (5) Payment processes
- (6) Administration and human resources
- (7) Legal and taxes

#### *Supervisory Board*

The Supervisory Board is composed of the following members:

#### **Dr. Joachim Bernecker**

Management consultant, Straubenhardt  
– Chairman –

#### **Joachim Hug**

Managing Director of SPE Management GmbH,  
Göppingen

#### **Thomas Krüger**

Eichenau,  
Managing Director of Ad Astra GmbH, Munich,  
– Deputy Chairman –

#### **Rafael Laguna**

Management consultant, Gummersbach

#### **Dr. Frank Lerchenmüller**

Management consultant, Frankfurt am Main

#### **Marc Wurster**

Lawyer / tax adviser, Karlsruhe

#### **Total remuneration of the Executive Board**

The remuneration of the Executive Board for 2007 amounted to €462 thousand.

#### **Total remuneration of the Supervisory Board**

The remuneration of the Supervisory Board for 2007 amounted to €75 thousand.

#### **Employees**

The Company had an average of 89 salaried employees during fiscal year 2007 (excluding Executive Board members, vocational trainees and casual workers).

Karlsruhe, March 11, 2008

asknet Aktiengesellschaft  
Electronic Business Solutions  
– The Executive Board –

signed Gerald Prior  
signed Dr. Dietmar Waudig  
signed Michael Konrad

## Report of the Supervisory Board

### Dear Shareholders,

In fiscal year 2007, the Supervisory Board performed its tasks and duties as laid down by the law and the Articles of Association. It kept itself informed regularly, comprehensively and in a timely manner in continuous and detailed dialog with the Company's Executive Board of asknet AG's business development, situation, prospects and significant investment projects, as well as of individual special topics. The Supervisory Board also assured itself that the Executive Board performed its risk management duties in a due and proper manner in accordance with section 91(2) of the *Aktiengesetz* (AktG – German Stock Corporation Act) and of the efficiency of the system, as well as that the Company was managed in compliance with the law and in a due and proper manner. As a result, the Executive Board complied with its duties to provide information as laid down by the law and bylaws in full and in a timely manner. The Supervisory Board advised and oversaw the Executive Board on matters relating to business strategy. In this context, the Executive Board and Supervisory Board also communicated with each other and agreed on proposed transactions and asknet AG's strategic orientation.

Information provided by corporate management was circulated in written and oral form at and outside the regular Supervisory Board meetings. The Supervisory Board was directly involved in all decisions and planning of material importance to the Company. All matters that require the participation of, or a decision by, the Supervisory Board according to the law and the Articles of Association were dealt with by the Supervisory Board. After thorough examination and discussion, the Supervisory Board approved the Executive Board's proposed resolutions insofar as this was required by the law, the Articles of Association, or the bylaws for the Executive Board. The Supervisory Board received the documents for the topics to be addressed from the Executive Board in good time in each case.

Five Supervisory Board meetings were held in total in fiscal year 2007; one in each quarter and an additional meeting at the beginning of February with a focus on business planning. All members of the Supervisory Board participated in the Supervisory Board meetings with the exception of isolated cases in which their non-attendance was excused. Above and beyond this, the Executive Board and the Supervisory Board communicated closely, exchanging information by telephone and holding further discussions insofar as this was necessary. In addition, individual resolutions were passed with the approval of all Supervisory Board members by circulating written documents.



The Company's current business position was a regular agenda item in the quarterly meetings; this covered the results for the most recent quarter ended, the cumulative result for the current year, the target-actual comparison and the projected results for the fiscal year. In the year under review, a Supervisory Board workshop on a range of individual topics also took place in March 2007. The Chairman of the Supervisory Board also regularly exchanged information and ideas on significant issues and the business development of asknet AG..

### **Main Subjects for Discussion by the Supervisory Board**

In addition to the ongoing discussion of asknet's business development, Supervisory Board discussions focused on a number of additional key themes.

In addition to regular themes such as asknet's business position and outlook, the meeting on February 6, 2007 focused primarily on the discussion and resolution of the three-year planning (2007–2009). The resolution to form an Audit Committee was also passed. Key items resolved at the meeting on March 22, 2007 were the adoption of the annual financial statements for 2006 on the basis of the recommendation of the Audit Committee and the adoption of the agenda for the Ordinary Annual General Meeting on June 27, 2007. In addition to the general business position (results for the first quarter of 2007), the discussion of personnel measures (appointment of a new President for asknet Inc.) was a central theme of the Supervisory Board meeting on June 26, 2007. Gerald Prior, the new Chairman of the Executive Board, took part at the meeting on September 26, 2007 for the first time. In addition to asknet's business development (results for the first half-year of 2007) and asknetBB (joint venture with SoftBank BB group in Japan), the meeting featured a discussion of Mr. Prior's first impressions. In the meeting on November 29, 2007, the business results for the first nine months of 2007 were discussed, the planning for 2008 was presented and addressed in detail, and it was also resolved that, as of fiscal year 2008, the Company will communicate its results for the first and third quarters as well as its half-yearly results to the capital markets. Additionally, the basic features of a possible stock option program that will be proposed to the Ordinary Annual General Meeting in 2008 were discussed.

Additional resolutions by the Supervisory Board that were typically discussed in detail in the above-mentioned meetings or in Supervisory Board telephone conferences and subsequently resolved via the circulation of written documents included:

## Report of the Supervisory Board

- > Establishment of a Personnel Committee for the Supervisory Board in January 2007
- > Resolutions on personnel measures, such as the signing of Mr. Prior's contract of service and his appointment as Chairman of the Executive Board, the appointment of a sales manager for Europe and the appointment of the President of asknet Inc. in the USA
- > Resolutions on changes to the Company's organizational focus proposed by the Executive Board
- > Planning for 2008 following the Supervisory Board meeting on November 29, 2007.

asknet's continued strong growth in 2007 also demanded further activities, such as continuing personnel growth and the adaptation of its systems, structures and organization to cope with the larger volume of transactions achieved. The Executive Board informed the Supervisory Board in each case of pending decisions and measures with significant implications. These were discussed jointly.

### **Committees of the Supervisory Board**

The Audit Committee, which is responsible in particular for the preparatory review and discussion of the documents relating to the annual financial statements, met once in fiscal year 2007. In this meeting, the auditor, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim (hereinafter "Ernst & Young"), reported on the findings of the audit of the annual financial statements. The members of the Audit Committee asked the auditors supplementary questions and discussed the findings of the audit in detail. Furthermore, they critically reviewed asknet's business position and the Executive Board's monthly reporting, as did the other Supervisory Board members, and clarified any questions relating to these with the Executive Board.

The Personnel Committee, which prepares the Supervisory Board's personnel decisions, concerned itself with the search for and selection of the new Chairman of the Executive Board in 2007. Furthermore, the Executive Board appointed a new President of asknet Inc. in the USA in 2007. Due to the significance of this position, the Executive Board included the Personnel Committee in the selection process. As part of the search and selection process for both of these positions, the Personnel Committee met with headhunters and applicants in person in Karlsruhe, Frankfurt am Main, Stuttgart, Munich and San Francisco. In addition, video interviews with applicants in the USA and a series of telephone conversations took place. Discussions by the Personnel Committee took place either before or after appointments with applicants and Supervisory Board meetings. During the selection of the President of asknet Inc., the Personnel Committee was in continuous dialog with the Executive Board, while in the case of the position of the

Chairman of the Executive Board, the Personnel Committee regularly informed the Supervisory Board. The Personnel Committee made recommendations to the Supervisory Board for both appointments, which the Supervisory Board concurred with in its decisions.

### **Annual General Meeting**

asknet AG's Ordinary Annual General Meeting was held on June 27, 2007. It was the first Annual General Meeting since the admission to listing in Deutsche Börse's "Entry Standard" segment. The management's proposals on the individual agenda items were resolved by a large majority of the shareholders present.

### **Audit of the Annual Financial Statements**

In the Annual General Meeting on June 27, 2007, Ernst & Young was appointed as the auditor for fiscal year 2007. Ernst & Young audited asknet AG's annual financial statements as of December 31, 2007, the consolidated financial statements as of December 31, 2007, as well as the combined management report for asknet AG and the Group and issued them with an unqualified opinion. asknet AG's annual financial statements and the consolidated financial statements are prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code).

The annual financial statements, consolidated financial statements and combined management report, as well as Ernst & Young's audit reports were circulated to all Supervisory Board members in good time. In its meeting on March 11, 2008, the Audit Committee of asknet AG's Supervisory Board was informed by the auditors of the findings of the audit and asked the auditors supplementary questions. The members of the Committee addressed the documents in depth. The annual financial statements and consolidated financial statements, the combined management report and Ernst & Young AG's audit report were presented in detail and supplementary questions were answered. The Audit Committee recommended the adoption of the annual financial statements and the approval of the consolidated financial statements and the combined management report for asknet AG and the Group to the Supervisory Board. The full Supervisory Board dealt with these documents in detail in its meeting on March 12, 2008.

The annual financial statements and consolidated financial statements of asknet AG for fiscal year 2007 and the combined management report were examined in detail by the Supervisory Board. Following its own review of the audit, the Supervisory Board raised no objections and concurs with Ernst & Young's

## Report of the Supervisory Board

audit results. asknet AG's Supervisory Board thus approved the annual financial statements, consolidated financial statements and combined management report prepared by the Executive Board by way of a resolution on March 12, 2008; the annual financial statements are thereby adopted in accordance with section 172 of the AktG.

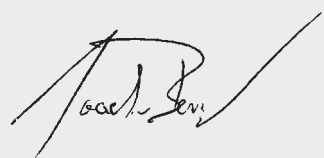
### **Composition of the Executive Board and the Supervisory Board**

After Mr. Gerhard Rumpff (Chairman of the Executive Board of asknet AG until August 31, 2007) revealed that he wished to pursue other career opportunities in the medium term, the Personnel Committee assumed the task of finding a successor to Mr. Rumpff and of proposing his recruitment, appointment to the Executive Board and appointment as Chairman of the Executive Board to the Supervisory Board. The Supervisory Board adopted the relevant resolutions. Mr. Gerald Prior began his term of office as Chairman of the Executive Board of asknet AG on September 1, 2007. He assumed responsibility for the areas of strategy, sales, marketing and account management of software vendors. Mr. Rumpff resigned from the Executive Board effective January 31, 2008. There were no personnel changes in the Supervisory Board compared with the previous year.

The Supervisory Board of asknet AG would like to take this opportunity to thank all employees and the Executive Board for their exemplary achievements and successful work in fiscal year 2007, and wishes asknet AG every success for fiscal year 2008..

Karlsruhe, March 31, 2008

The Supervisory Board

A handwritten signature in black ink, appearing to read 'Joachim Bernecker', written over a horizontal line.

Dr. Joachim Bernecker  
(Chairman of the Supervisory Board)

## Glossary & Definitions

- ESD > Electronic Software Distribution
- ROI > Return on Investment
- CD > Corporate Design
- IT > Information Technology

### **eDistribution Services**

In the eDistribution Services business area, asknet develops customized solutions for selling digital products online worldwide. The end-to-end solution covers everything from technology through to services such as international payment processing, logistics, customer service and marketing.

### **asknet Academic eProcurement Portals**

This business area offers tailor-made outsourcing solutions for global software sales, supplying universities and research institutions. asknet's eProcurement portals offer each organization an individually structured procurement portal that shows all products, framework agreements and purchasing guidelines. asknet supplies around 70% of German universities with software products.

### **Best-of-Breed Products**

Choosing best-of-breed products means selecting the manufacturers and solutions that are market leaders in their respective areas. asknet works with best-of-breed partners, taking regional differences into account in integration.

## Acknowledgements / Contact Information

### asknet AG

Vincenz-Priessnitz-Strasse 3  
76131 Karlsruhe  
Germany

Tel.: +49 (0) 721 / 964 58-0  
Fax: +49 (0) 721 / 964 58-99  
E-mail: [info@asknet.com](mailto:info@asknet.com)  
Internet: [www.asknet.com](http://www.asknet.com)

### Investor Relations Contact

Daniela Simon  
asknet AG  
Tel.: +49 (0) 721 / 964 58-61 12  
E-mail: [daniela.simon@asknet.com](mailto:daniela.simon@asknet.com)

### Commercial Register

Mannheim Local Court HRB 108713

### Concept, Design and Realization

DigitalAgentur mpm, Mainz, Germany  
[www.digitalagentur-mpm.de](http://www.digitalagentur-mpm.de)

### Text

asknet AG, Karlsruhe, Germany  
DigitalAgentur mpm, Germany

### Photos

Photo archive asknet AG

## Financial Calendar

- May 15, 2008** > Publication of results for Q1 2008
- May 30, 2008** > Annual General Meeting
- August 15, 2008** > Publication of the half-yearly report
- November 14, 2008** > Publication of results for Q3 2008



**asknet AG**

Vincenz-Priessnitz-Strasse 3  
76131 Karlsruhe  
Germany

Tel.: +49 (0) 721/96458-0  
Fax: +49 (0) 721/96458-99  
E-mail: [info@asknet.com](mailto:info@asknet.com)  
Internet: [www.asknet.com](http://www.asknet.com)