asknet
leading in global eCommerce

Accelerate your eSales in the Digital Marketplace.

Annual Report 2009

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Letter to our shareholders

Dear Shareholders,

asknet has emerged from the turmoil of the economic crisis with our heads held high …

… thanks to our strategy of sustainability and high quality standards. Our profit situation improved visibly from quarter to quarter. Expedited by strong seasonal sales, asknet crowned several years of strong performance by virtually breaking even in the last quarter of 2009. Following the consolidation and restructuring of 2008, this improvement in profitability does not merely represent continuity, but dynamic growth. In total, asknet AG was able to cut our loss by almost 60 percent compared to the previous year, from three million euros in 2008 to 1.2 million euros in the reporting period.

This development is particularly noteworthy because it ran counter to the overall economic trend. The global macroeconomic situation was dominated by the financial and economic crisis in 2009, and the forecasts for 2010 have also been cautious. The Munich-based ifo Institute projects economic growth of 1.7 percent for Germany, and although the US economy grew by 5.4 percent in the last quarter, it remains to be seen if the trend will hold.

In contrast, significantly more positive signals have been coming from the eCommerce sector. In 2009 Germans spent approximately 21.8 billion euros online, an increase of 13 percent, while at the same time, the number of Internet users grew by four percent. This lays the groundwork for further growth in online trade. At the start of the 2009 Christmas shopping season, eCommerce in the USA boasted an 11 percent jump in sales over the previous year – far ahead of traditional retailers, who saw lean growth of 0.5 percent.

These figures underline the fact that eCommerce is becoming steadily more attractive – both for consumers, who increasingly choose this sales channel over traditional retail, and for producers, who profit from the low overhead costs and access to international markets. It is especially this latter aspect that is becoming more important for increasing numbers of software vendors, who are eager to take advantage of the growth potential to be found in entering new markets. This is why asknet expanded our range of services in 2009 with a view to international eCommerce. For years we have been consistently increasing the number of shop languages we offer, which today totals 30 different languages including Arabic. 38 billing currencies are available, making it easy for end customers to pay in their own currency. And the mention of payments immediately takes us to another topic to which asknet has given serious attention: online security.

The misuse of credit card data made headlines numerous times in 2009 and made it necessary for credit card operators to work intensively to improve their security measures. The credit card is the most frequently used online payment method. As an eShop operator, asknet believes we have a duty to offer the highest possible level of security. In the fourth quarter of 2009, we achieved Level 1 PCI (Payment Card Industry) certification, the state-of-the-art data security standard.

And indeed, state-of-the-art standards for technology and security are an important component of asknet's strategy. Furthermore, we are committed to doing more for our customers than just operating their shops. We observe the market closely and identify emerging trends – in other words, we help our customers stay one step ahead of the next development. For example, in 2009 we performed intensive analyses of the market potential for digital products in Asia, Latin America, and Eastern Europe, the results of which were summarized in three white papers. Known as the BRIC nations, Brazil, Russia, India, and China are increasingly moving into the focus of software vendors, and Scandinavia also shows high growth potential in the eCommerce sector. asknet offers detailed support for software producers who aim to enter these online markets.

Our consulting services are based on our wide-reaching international experience; in 2009, around two-thirds of our online sales were transacted outside Germany. The new accounts we acquired in 2009 also reflect this growing internationalism. muvee Technologies, provider of software and services for the production of home movies, is headquartered in Singapore. BizAgi, a Latin American company offering business process management solutions, has set up its first eShop for Europe, North America, and South America – operated by asknet. And these are only two examples.

The success of our strategy can be seen not only in the dramatic improvement in our profit situation, but also in an important honor we received. Deloitte Touche Tohmatsu listed asknet in its "Technology Fast 50," report, a ranking of the fastest-growing technology firms in Germany.

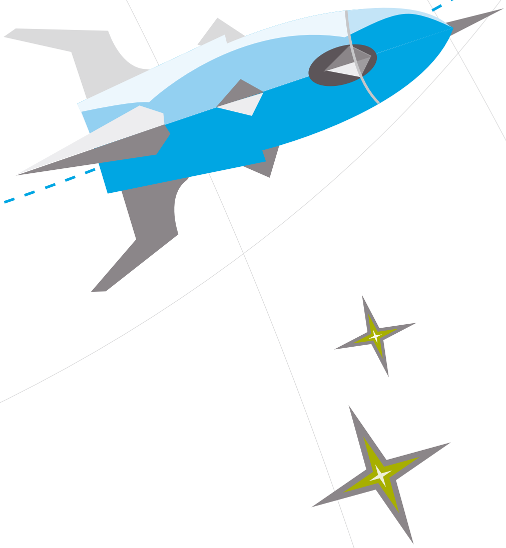
Growth, quality, sustainability, and, as the crowning accomplishment of the last quarter, reaching the break-even point is our personal assessment of asknet's achievements in 2009 – which we believe leave us very well positioned for a successful 2010.

We thank you, our shareholders, for placing your trust in us.

Sincerely,
The Executive Board of asknet AG

Michael Scheib | Michael Konrad | Dr. Dietmar Waudig

Management Report



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asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany

Company Management Report 2009

Market Development

In the last quarter of 2008, the eCommerce sector, long pampered by high growth rates, was dragged down in the wake of the financial crisis. For the first time, growth came to a standstill. Analysts therefore saw little cause for optimism in 2009; eMarketer, a US market research institute, predicted a slight decline in sales of 0.4 percent for 2009. At the same time, the OECD predicted a drop in gross domestic product in practically every industrialized nation.

Although the eCommerce sector was not able to maintain its double-digit growth rates during the most severe economic crisis since World War II, it was considerably less hard hit than other retailers. By November 2009 eCommerce boasted a three percent growth rate in the USA, while classic retail could only assert that "flat is good," framing sideways movement as success – even during retail's traditionally strong period of pre-Christmas sales. In contrast, the three percent increase in sales in the eCommerce sector did not even reflect the pre-Christmas upturn.

In Germany, the Internet also proved to be an engine of growth in 2009. According to the bvh (German eCommerce and Distance Selling Trade Association), in 2009 Germans spent a total of 21.8 billion euros in the "shopping mall" that is the Internet – 15.4 billion euros on all manner of products and 6.4 billion euros on digital services. The latter sales figure included downloads of computer programs and MP3 and video files. Overall, online sales experienced a year-on-year increase of 13 percent. At the same time, reported the bvh, the trend toward online purchasing continued unabated, with the number of Internet shoppers in Germany increasing by 1.1 million in 2009 to a total of 32.5 million. The number of households with Web access has risen concurrently; according to the German Federal Statistical Office, 73 percent of all households in Germany have access to the Internet – and therefore to eCommerce.

Unbroken interest in the Internet and the possibilities it represents is not only a western European phenomenon. Emerging markets are also moving into the focus of online sellers thanks to the enormous growth potential they represent. In 2009, asknet analyzed the opportunities and risks associated with eCommerce in Asia, Latin America, and eastern Europe. Our analysis shows that China, by the end of 2008 already the world's largest online market with 300 million Internet users, has potential that is far from being exhausted.

In Latin America, the number of Internet users may only be 7.4 percent, but this market is growing the fastest. Eastern Europe and Russia in particular are marked by widespread interest in technical innovation and have an open attitude toward eBusiness.

However, expanding into emerging markets presents significant challenges to shop operators. As shown by the most recent surveys of end customers who shop online, interest in eCommerce can disappear rapidly when making online purchases is seen as difficult or time-consuming or consumers develop concerns about the security aspects. On the other hand, this is where a shop operator like asknet can offer opportunities to set a company apart from its competition by offering outstanding service. For this reason, asknet has expanded the selection of shop languages as well as the number of currencies accepted for payment. asknet undertook intensive preparations in 2009 that will make it possible to include payment options in the preferred currencies of countries such as Russia and China in our portfolio of services in 2010. This offer is highly relevant to end-customer acceptance of an online store, since it saves shoppers the trouble of having to convert the final price into a different currency – and they will not have to reckon with exchange fees. asknet also increased our attractiveness in security matters in 2009.

asknet assumes that user-friendliness and security also play an essential role in whether or not consumers are willing to use mobile devices such as smartphones to shop online. It is of fundamental importance to support the user's intention to purchase by offering perfect service – especially when the intended purchase is not essential software. Although the demand for storage, back-up, and security products saw only slightly diminished transaction rates in 2009, all other types of software showed a marked sensitivity to price and product size. This makes it all the more important to win over the customer with an offer that is precisely tailored to their needs; and it goes without saying that, in addition to perfect service, this is an integral component of our portfolio.

Online retail will benefit in the long run. After all, the Munich-based ifo Institute forecasts economic growth of 1.7 percent for Germany in 2010, and there are also signs of cautious optimism on an international level.

Not a bad starting point for a market that was able to grow even in the depths of the crisis.

Performance, Growth, and Account Development

Performance and growth

"asknet shows significant improvements in results despite global recession" was the headline of an asknet press release at the end of the first quarter of 2009.

Whereas the management still viewed 2008 as a year of consolidation, in 2009 asknet AG reaped the benefits of our scalable business model and significantly lower structural costs. From quarter to quarter, there was an increase in the positive dynamic as the results improved. At the end of 2008, asknet AG posted a loss of 3.0 million euros. In the period under review, this loss was cut to 1.2 million euros, a reduction of almost 60 percent. Supported by the traditional year-end upturn in business, in the last quarter of 2009 we slashed our loss to 50,000 euros, underscoring the positive growth dynamic.

The sales revenues of asknet AG were 68.9 million euros in 2009. Here it should be noted that a portion of the sales volumes were transacted through service provider contracts. Due to the nature of these contracts, only the service fees are included as revenues in the asknet statement of income. For this reason, we must look at gross profits to obtain a meaningful picture of the company's growth. In the first nine months of 2009, gross profits of 6.9 million euros represented a 5 percent increase compared to the same period of the previous year. When the traditionally strong fourth quarter is included in the calculation, the figure totals 9.7 million euros, or an increase of 7 percent.

Gross profit margins rose from 12.1 percent in 2008 to 14.0 percent in 2009; this sharper increase was due to stronger growth with customers who employ service provider contracts as well as additional revenues generated by Professional Services. In the same period, operating costs sank by approximately 1.2 million euros.

This decrease in operating costs, which is the positive result of the strategic measures undertaken in 2008, is strong evidence in favor of the scalability of asknet's business model.

All in all, 2009 was a successful year for asknet AG, although our steady return to profitability stood in contradiction to developments in the economy as a whole. In mid-June 2009 the German financial newspaper Handelsblatt analyzed the growth of the country's 100 largest publically listed industrial, commercial, and service corporations. In comparison with the results from the same quarter of the previous year, only two of the companies showed stronger growth than asknet AG.

The potential of the new accounts we acquired in 2009 has not yet been fully realized – also largely due to the economic situation. However, by attracting new clients, asknet once again demonstrated that the company offers an inviting alternative not only to expensive in-house solutions, but also to the solutions provided by our competitors.

As expected, growth in 2009 came primarily from the eDistribution segment. The company remains the unchallenged market leader for ePortals for research and educational institutions. A further expansion on such a large scale is therefore difficult; nevertheless we are working to steadily increase our market share. In 2009 ePortals were responsible for gross profits of 2.6 million euros, which represents 27 percent of asknet AG's total gross profits. In accordance with the corporate strategy, in 2009 asknet pushed forward with our internationalization. Today only 32 percent of asknet AG's sales volume is generated in Germany, 43 percent in the rest of Europe, approximately 3 percent in the APAC region, and around 22 percent in the USA. Although sales in the USA have stagnated, in part due to the negative economic situation, the solid growth in the rest of Europe can be attributed in part to the strong performance of one of our key clients.

In 2009 asknet AG's personnel costs were 5.0 million euros, compared to 5.3 million euros in 2008.

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In fiscal year 2009, the company's operating result (EBIT) was -1.35 million euros. After interest and taxes, the company recorded a net loss of -1.24 million euros for the year, a year-on-year improvement of almost 60 percent. This development is not the result of one-time measures, but can be attributed to strategic restructuring, our scalable business model, and asknet's attractive products and services.

Account development

asknet acquired several new important international clients in 2009.

New eDistribution accounts

muvee Technologies, an internationally known pioneer and innovator in the field of automated video production, now outsources its online shops to asknet. The company used to be the client of one of our major international competitors, but has been won over by asknet's quality and service. muvee Technologies is headquartered in Singapore.

EskoArtwork is a Belgian provider of innovative solutions for design, production, communication, and management along the entire packaging and printing supply chain. The company has replaced its in-house solution and will rely exclusively on asknet for all its online sales in the future.

GridIron Software, a provider of workflow and performance tools based in Canada, now uses asknet's online shops around the world and is expanding its traditional distribution channels by selling on the Internet.

BizAgi, which offers business process management solutions that companies use to graph and document processes and procedures, has entrusted asknet with its first eShop for Europe, North America, and South America. The eShop represents a further international sales channel, supplementing resellers and direct sales. In the future, B2B customers will be able to buy licenses at reseller conditions in the eShop. BizAgi is headquartered in Columbia and is asknet's first client in South America.

New ePortal accounts

With our new account with **Bielefeld University of Applied Sciences**, our ePortals business unit has enlarged the customer base of the existing Dell Shop, from which Dell hardware can be purchased. At the same time, Bielefeld University of Applied Sciences represents a further expansion of asknet's presence in the German state of North-Rhine Westphalia (NRW).

Since November 2009, the Center for Information and Media Technology (ZIM) at **Heinrich Heine University in Düsseldorf** has been using the asknet software portal. ZIM supports institutes and facilities in purchasing software. Within the framework of campus and state licensing agreements, facilities – and in some cases, employees and students as well – can obtain licenses free of charge or for discounted university rates.

At **RWTH Aachen University**, two eProcurement portals have been linked as part of our consistent service delivery approach for research and teaching institutions: first, the asknet AG software portal and second, the Dell Germany hardware portal. Now customers get their configured devices with standard software from the hardware portal, and at the same time – thanks to intelligent linking – billing and administration of the paid, installed software that is covered by the specific software agreements between the manufacturers and the university. As part of a pilot project, an additional twelve universities in North-Rhine Westphalia will be able to profit from this service in 2010, significantly reducing administrative costs for the first-time installation of software.

Awards

We see the two awards named below as objective proof of the success of the asknet strategy.

First, Deloitte Touche Tohmatsu named asknet in its "Technology Fast 50," report – a ranking of the fastest-growing technology firms in Germany. And Cyberforum, a high-tech business network, nominated asknet as a finalist for its "CyberChampions 2009" competition.

Positioning

Welcome to the fastest shopping mall in the world – these are the words that software vendors could use to greet visitors to their online shops. When it comes to speed and availability of information, there is no other sales channel that can match the Internet. The end customers benefit because the software they purchase is available almost instantly. The vendors benefit because they reach customers around the globe while keeping their structural costs low. These savings are particularly significant when, instead of operating the online shop themselves, they outsource it to a full-service provider like asknet. In addition to other advantages, this eliminates the risks associated with regional requirements and payment methods. The software manufacturers do not have to develop the in-house expertise necessary for setting up, operating, and maintaining a shop using the latest technology. Instead, they are able to enter international markets with a minimum of effort and at a speed that would be unthinkable for expansion by means of classic retail outlets.

All of these are reasons that the eCommerce market is growing increasingly attractive – the very market in which we have positioned ourselves. The number of Internet users has grown steadily worldwide, and as this figure has increased, so has the market share of online retailers. In November 2009, the German eCommerce and Distance Selling Trade Association stated that thanks to the Internet the distance selling segment was able to counter the negative growth trend in the retail sector. Around the world, more and more people see the Internet as part and parcel of their daily lives – and this includes China, the most populous country on Earth, where more than 300 million people use the Internet.

However, there are factors that can negatively influence consumers' interest in shopping online. Complicated input forms, non-confidence-inspiring modes of payment, and a dearth of information – these are only a few of the possible barriers to success in eCommerce. And every new technology can erect its own hurdles, one example being overpriced apps for online shopping on smartphones. Smartphones combine the services of a mobile phone with those of a personal digital assistant (PDA) and are extremely popular within the target group of Internet-savvy users. Despite their fundamental interest in online shopping, smartphone users, like all users of the Internet and mobile services, can be scared off by inappropriate pricing policies. However, when the shopping experience as a whole is perceived as convenient and modern and the user's information requirements are met, price is not the only deciding criterion for or against buying online.

For this reason, it is essential that operators of online shops such as asknet make their stores as user-friendly, appealing, and informative as possible – transforming the Internet from being primarily a medium for obtaining information to the most popular location for shopping. For the vendors of software, it is important to monitor their own performance with regular and careful analysis in order to ensure that their products are finding acceptance on the market. For this reason, asknet continuously generates reliable indicators for them from the shops we operate, figures which can then be used to analyze all aspects of purchasing behavior. The results provide a solid foundation for further planning.

One analytical tool is the asknet Shop Cockpit (ASC), which our clients can use on the one hand to manage their eShops, and on the other to obtain the abovementioned shop performance indicators. The ADI, asknet's Digital Index, includes important indicators such as conversion rate, which measures the frequency with which a visit to the eShop ends in a sale and how often the purchase is broken off.

Such indicators are considered generally important because they make the attractiveness of the company's products more transparent, and this applies all the more following marketing campaigns. Almost all of asknet's major clients launched intensive marketing campaigns in 2009, the success of which could be evaluated directly using the shop indicators. Given the investment that these campaigns represent for the software producers, it is especially important to have reliable data to measure their effectiveness. Furthermore, we at asknet observe the market very carefully and provide software vendors with individual advice, for example with regards to a planned expansion into another country.

In other words, asknet has not merely positioned ourselves in the electronic software distribution (ESD) market as the provider of a technologically perfect infrastructure. Rather, we are a reliable full-service provider that implements projects in precise accordance with our clients' requirements and decisions. This is why asknet launched our Vendor Interaction Process (VIP), a partnership approach that involves close cooperation between asknet and the vendors with the goal of continuously improving the visitor and sales figures in online shops.

asknet sees it as our responsibility to support our clients in every way. As soon as the vendor entrusts their online shop to asknet, placing a portion of their value chain in the hands of an outsider, they expect to reap significant benefits: a reduction in operating and structural costs, easy access to international markets, a trustworthy payment process, and an increase in online sales. In all these points, asknet can draw on many years of experience as a reseller. Furthermore, asknet is in the position to finalize not only classic distributor contracts with software vendors, but service provider contracts as well. This opens up access to new groups of customers for asknet.

However much we may expand our business model, it is important to remember that good technology is the basis for success in eCommerce. Here, too, we have proven ourselves. The availability of the eShops operated by asknet is usually stipulated in our contracts as 99.5 percent; however, in accordance with our internal quality standards, asknet achieved an availability rate of over 99.9 percent in 2009. The average page loading time is under two seconds. Ajax Technology and the Mobile Shopping Cart also provide a shopping experience with every convenience that modern technology has to offer. Ajax Technology, the asknet Shop Cockpit for more efficient operation, the Mobile Shopping Cart, the increase in the number of shop languages and currencies, and PCI Level 1 – all these represent further milestones reached by asknet on our path to uncompromising, state-of-the-art convenience and security for Web shops. In addition to in-depth market and performance analyses of each shop, our highly professional account management, and individual consulting, asknet offers software vendors an impressive range of products and services within an extremely attractive market.

Investment and Employees

Investment

asknet continuously invests in the expansion of the number of shop languages and payment methods. This is because we are aware that localization plays a decisive role in whether or not a shop will find acceptance among users. To put it simply, an attractive shop boosts sales rates. The "attractiveness factor" is in turn substantially influenced by the language of the shop, because having a shop in their own language is the best guarantee that users will understand it. Using the relevant local language, the shop can provide all the information that users want about the product and the shop itself, giving them the reassuring feeling of having clearly understood exactly how the sales process works. This is why asknet introduced an additional eight shop languages in 2009. And when it comes to the sensitive topic of payments, customers consider it important to receive and pay an invoice in their local currency in order to rule out hidden costs such as those caused by exchange rate risks or by fees. Certain countries also have preferred modes of payment. Following the finalization of our agreement with Klarna, a Swedish payment provider, asknet now offers a total of 24 payment methods. In 2009 we also initiated a partnership with the locally preferred payment provider Alipay in China.

In addition, asknet invested in three main areas in 2009. First, in reaching Level 1 compliance with the PCI (payment card industry) payments standards in order to solidify our long-term partnerships with the most important credit card companies and to offer end customers state-of-the-art security for their payments.

Second, in the new version of the asknet Shop Cockpit (ASC). The expansion started in 2008, focusing on improving the user-friendliness of the ASC. This makes it possible for companies to outsource their shops to asknet, independently set up products, prices, and campaigns, look at individual transactions, and measure shop performance. The companies can also define key performance indicators (KPI) themselves and receive graphic reports of KPI analysis. For example, the ASC displays important factors such as the conversion rate, the purchases per site visitor, the average amount spent, and the total sales. In addition, there are a variety of functions that allow individual shop design.

Third, in the studyhouse.biz software portal, which was established exclusively for the use of students. Calling it a "software portal" is actually an understatement, because studyhouse also offers other products such as books and hardware for purchase.

Students can use studyhouse to order software and licenses in a total of five different categories, including Science and Technology, System and Security, and Graphics and Multimedia. The portal is clearly structured, offers a personalized "my studyhouse" access area, and makes it possible for students to get detailed information on a single page about software, special offers, and innovations – and obtain and use them immediately if they wish. This represents an introduction to the asknet shop world that is especially attractive for an Internet-savvy and technophile user group such as students.

Employees

As in 2008, personnel costs were further reduced in 2009 due to internal restructuring and a slightly lower number of employees. As of December 31, 2009 asknet AG employed 85 people including members of the Executive Board; in 2008 the number was 89. When trainees and temporary employees are included in the figure, as of December 31, 2009 asknet AG had 115 employees; at the same point in 2008 the company employed 118 people.

Net Assets and Financial Position, Post Balance Sheet Events and Risk Report

Net assets and financial position

As of December 31, 2009 asknet AG had total assets of approximately 13.4 million euros; in 2008, 14.4 million euros. At the same time, total equity declined by 1.2 million euros to 5.1 million euros in the period under review, corresponding to an equity ratio of 38 percent. As of the reporting date, asknet had no significant debt. asknet employs a centralized financial management system for the Group which includes our subsidiaries. This internal cash management system serves to ensure an optimal allocation of Group and company investments and allows a bundling of liquidity surpluses. Liquidity therefore decreased only slightly, from 7.8 million euros at the end of 2008 to 7.7 million euros at the end of 2009. As of December 31, 2009 asknet AG's liabilities remained almost unchanged at 6.9 million euros, compared to 6.8 million euros at the end of 2008. As expected, the company's operative cash flow was negative, but it did improve significantly from -1.9 million euros in 2008 to -0.1 million euros in 2009.

Post balance sheet events

After the end of the fiscal year, there were no material events that affected the company's net assets, financial position, and results of operations.

Risk Report

Like every provider who has positioned themselves in eDistribution, asknet is dependent on several factors that cannot be directly influenced by the company, for example global economic developments. Producers of software must continue to rely on online distribution channels and, accordingly, generate demand for the operation of online shops. Furthermore, these software vendors must be willing to outsource the operation of their shops to external service providers such as asknet.

At present, asknet is very successful in maintaining solid customer relationships. It would be detrimental to asknet if individual vendors chose not to continue their partnerships with us. This especially applies to the key accounts that play a major role in asknet's continued sales growth.

This is one reason that asknet makes continuous efforts to limit our dependency on individual clients by acquiring new accounts and broadening our customer base. In 2009, asknet's ten most important clients were responsible for approximately 63 percent of our gross profits. Against this background, asknet identified increased acquisition activities on the part of our largest competitor on the market. If one or more key clients should decide to terminate or fail to renew their contract with asknet, this could have a negative impact on the company's net assets, financial position, and operating results. When it comes to other competition, asknet faces fewer risks. With our portfolio of products and services, asknet has set ourselves apart from our smaller competitors, especially in terms of coverage of international markets.

Another adverse affect for net assets, financial position, and operating results could develop if expansion in other markets proved unprofitable. This is always the case when the costs associated with expansion (for premises, marketing, sales, etc.) are not more than offset by sufficient growth in revenues.

In order for the scalability of asknet's business model to develop to its full potential, increases in sales that are independent of one-time events or seasonal fluctuations are necessary. Whether or not a sustainable increase in sales is possible will depend in part on circumstances beyond asknet's control, for example overall economic developments, general consumer behavior and the savings rate, vendor product strategy, and the success of producers' marketing strategies. In 2009, the latter rewarded our two largest clients with a significant increase in transaction rates and therefore with an increase in sales. If such effects did not prove to be sustainable, the impact on sales would be negative.

The equity ratio remains solid, which means we do not foresee any financial bottlenecks in 2010. Our reporting and Group currency is the euro. However, some business is transacted in other currencies. For this reason, periodic fluctuations in individual currencies can affect the revenues and profits of asknet AG. We continuously monitor potential exchange rate risks related to balance sheet items as well as anticipated cash flows.

One pillar of asknet's financial health is of course the highly qualified professionals whom we employ. Our staff identifies strongly with the company, which guarantees that they are highly motivated and productive.

It also offers the best available insurance against the damage to our image and our bottom line that would occur if an operating system were to fail or if there were problems with an internal or outsourced IT system.

In order to vigilantly monitor such risks, asknet AG has developed our own control system, which we continually adapt and improve. Our goal is to utilize the collected financial and performance indicators to prevent potential risks from occurring and to accelerate our strategic development. In addition, asknet remains in constant dialog with the most important credit card companies and payment providers so we can react quickly to changes in parameters and offer a technical infrastructure for online payments with maximum security. In achieving PCI Level 1 certification, asknet has taken another important step to reduce potential risk in this area.

Besides those mentioned here, no material risks occurred or became known prior to the publication of this management report.

Outlook

"2009 will go down in history as the year of erroneous economic prognoses," declared Germany's Manager Magazin in mid-January 2010. As the magazine documented, even the leading institutes erred significantly in forecasting a maximum 2 percent drop in economic performance. The reality was that Germany was confronted with a 5 percent decline in gross domestic product in 2009. After a recession on such a large scale, it is with a mild sense of optimism that the German federal government forecasts growth of 1.4 percent for 2010 in its annual economic report. In the USA, the Chamber of Commerce anticipates 3 percent growth for the year that has just begun. Nonetheless, these statements are only prognoses whose validity has yet to be proven.

Against the background of the faulty forecasts for 2009, it now seems more reasonable to focus on the actual numbers at hand. And they speak for themselves: Despite the dramatic economic downturn, Internet sales in Germany grew by a solid 13 percent. It is clear that the consumer shift from classic retail to the Internet continues to increase. As expected, one of the major benefits of online trade, the low structural costs, is even more of an advantage when consumption as a whole is declining. After all, lower structural costs make it possible for vendors to pass on savings to end customers and still achieve a profit margin. It is especially cost effective to outsource a shop to a experienced provider such as asknet, because this allows the vendor to reap the advantages of many years' technological and professional competence instead of having to invest time and money in developing their own shop and keeping it up to date. Furthermore, in light of the fluctuations within individual regional markets, it is strategically imperative to enter new markets, driving forward the processes of internationalization.

asknet has been actively and steadily pursuing a strategy of internationalization for many years, and the appointment of Michael Scheib as CEO clearly demonstrates our commitment in this regard. Michael Scheib has more than 25 years' experience with different US companies, and is impressed by asknet's advanced technology as well as our spectrum of trend-setting solutions for eCommerce.

After all, the technology and the spectrum of solutions are proof that the consolidations of 2008 have put asknet on track to long-term profitability. In 2009, despite the worst economic crisis since the end of World War II, we were able to improve our profit situation from quarter to quarter and reduce our deficit by almost 60 percent. The consistent nature of the growth proves that it is not a one-time occurrence, but rests squarely on the scalability of our business model, our strict cost controls, and our international focus.

The latter is also reflected in asknet's workforce, which brings together highly qualified, strongly motivated professionals from around the world. They are the ones who guarantee asknet's high technological standard and provide first-class service to our clients, and we would like to take this opportunity to offer them our heartfelt thanks.

It is not least their dedication that has allowed us to significantly improve, and continue to improve, our results. asknet has emerged from the turmoil of the economic crisis with our heads held high. We therefore see ourselves in an excellent position as we move forward to a positive operating result.

Karlsruhe, February 26, 2010

asknet AG
The Executive Board

Michael Scheib   Michael Konrad   Dr. Dietmar Waudig

asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany

Group Management Report 2009

Market Development

In the last quarter of 2008, the eCommerce sector, long pampered by high growth rates, was dragged down in the wake of the financial crisis. For the first time, growth came to a standstill. Analysts therefore saw little cause for optimism in 2009; eMarketer, a US market research institute, predicted a slight decline in sales of 0.4 percent for 2009. At the same time, the OECD predicted a drop in gross domestic product in practically every industrialized nation.

Although the eCommerce sector was not able to maintain its double-digit growth rates during the most severe economic crisis since World War II, it was considerably less hard hit than other retail. By November 2009 eCommerce boasted a 3 percent growth rate in the USA, while classic retail could only assert that "flat is good," framing sideways movement as success – even during retail's traditionally strong period of pre-Christmas sales. In contrast, the 3 percent increase in sales in the eCommerce sector did not even reflect the pre-Christmas upturn.

In Germany, the Internet also proved to be an engine of growth in 2009. According to the bvh (German eCommerce and Distance Selling Trade Association), in 2009 Germans spent a total of 21.8 billion euros in the "shopping mall" that is the Internet – 15.4 billion euros on all manner of products and 6.4 billion euros on digital services. The latter sales figure included downloads of computer programs and MP3 and video files. Overall, online sales experienced a year-on-year increase of 13 percent. At the same time, reported the bvh, the trend toward online purchasing continued unabated, with the number of Internet shoppers in Germany increasing by 1.1 million in 2009 to a total of 32.5 million. The number of households with Web access has risen concurrently; according to the German Federal Statistical Office, 73 percent of all households in Germany have access to the Internet – and therefore to eCommerce.

Unbroken interest in the Internet and the possibilities it represents is not only a western European phenomenon. Emerging markets are also moving into the focus of online sellers thanks to the enormous growth potential they represent. In 2009, asknet analyzed the opportunities and risks associated with eCommerce in Asia, Latin America, and eastern Europe. Our analysis shows that China, by the end of 2008 already the world's largest online market with 300 million Internet users, has potential that is far from being exhausted.

In Latin America, the number of Internet users may only be 7.4 percent, but this market is growing the fastest. Eastern Europe and Russia in particular are marked by widespread interest in technical innovation and have an open attitude toward eBusiness.

However, expanding into emerging markets presents significant challenges to shop operators. As shown by the most recent surveys of end customers who shop online, interest in eCommerce can disappear rapidly when making online purchases is seen as difficult or time-consuming or consumers develop concerns about the security aspects. On the other hand, this is where a shop operator like asknet can offer opportunities to set a company apart from its competition by offering outstanding service. For this reason, asknet has expanded the selection of shop languages as well as the number of currencies accepted for payment. asknet undertook intensive preparations in 2009 that will make it possible to include payment options in the preferred currencies of countries such as Russia and China in our portfolio of services in 2010. This offer is highly relevant to end-customer acceptance of an online store, since it saves shoppers the trouble of having to convert the final price into a different currency – and they will not have to reckon with exchange fees. asknet also increased our attractiveness in security matters in 2009.

asknet assumes that user-friendliness and security also play an essential role in whether or not consumers are willing to use mobile devices such as smartphones to shop online. It is of fundamental importance to support the user's intention to purchase by offering perfect service – especially when the intended purchase is not essential software. Although the demand for storage, back-up, and security products saw only slightly diminished transaction rates in 2009, all other types of software showed a marked sensitivity to price and product size. This makes it all the more important to win over the customer with an offer that is precisely tailored to their needs; and it goes without saying that, in addition to perfect service, this is an integral component of our portfolio.

Online retail will benefit from this in the long run. After all, the Munich-based ifo Institute forecasts economic growth of 1.7 percent for Germany in 2010, and there are also signs of cautious optimism on an international level.

Not a bad starting point for a market that was able to grow even in the depths of the crisis.

Performance, Growth, and Account Development

Performance and growth

"The asknet Group shows significant improvements in results despite global recession" was the headline of an asknet Group press release at the end of the first quarter of 2009.

Whereas the management still viewed 2008 as a year of consolidation, in 2009 asknet reaped the benefits of our scalable business model and significantly lower structural costs. From quarter to quarter, there was an increase in the positive dynamic as the results improved. At the end of 2008, the asknet Group posted a loss of 2.9 million euros. In the period under review, this loss was cut to 1.15 million euros, a reduction of 60 percent. Supported by the traditional year-end upturn in business, in the last quarter of 2009 we reached the break-even point, underscoring the positive growth dynamic.

The sales revenues of the asknet Group were 68.9 million euros in 2009. Here it should be noted that a portion of the sales volumes were transacted through service provider contracts. Due to the nature of these contracts, only the service fees are included as revenues in the asknet statement of income. For this reason, we must look at gross profits to obtain a meaningful picture of the company's growth. In the first nine months of 2009, gross profits of 6.9 million euros represented a 5 percent increase compared to the same period of the previous year. When the traditionally strong fourth quarter is included in the calculation, the figure totals 9.7 million euros, or an increase of 7 percent.

Gross profit margins rose from 12.1 percent in 2008 to 14.0 percent in 2009; this sharper increase was due to stronger growth with customers who employ service provider contracts as well as additional revenues generated by Professional Services. In the same period, operating costs sank by approximately 1.1 million euros.

This decrease in operating costs, which is the positive result of the strategic measures undertaken in 2008, is strong evidence in favor of the scalability of asknet's business model.

All in all, 2009 was a successful year for the asknet Group, although our steady return to profitability stood in contradiction to developments in the economy as a whole. In mid-June 2009 the German financial newspaper Handelsblatt analyzed the growth of the country's 100 largest publically listed industrial, commercial, and service corporations. In comparison with the results from the same quarter of the previous year, only two of the companies showed stronger growth than asknet.

The potential of the new accounts we acquired in 2009 has not yet been fully realized – also largely due to the economic situation. However, by attracting new clients, asknet once again demonstrated that the company offers an inviting alternative not only to expensive in-house solutions, but also to the solutions provided by our competitors.

As expected, growth in 2009 came primarily from the eDistribution segment. asknet remains the unchallenged market leader for ePortals for research and educational institutions. A further expansion on such a large scale is therefore difficult; nevertheless we are working to steadily increase our market share. In 2009 ePortals were responsible for gross profits of 2.6 million euros, which represents 27 percent of the Group's total gross profits.

In accordance with the Group strategy, in 2009 asknet pushed forward with our internationalization. Today only 32 percent of the asknet Group's sales volume is generated in Germany, 43 percent in the rest of Europe, approximately three percent in the APAC region, and around 22 percent in the USA. Although sales in the USA have stagnated, in part due to the negative economic situation, the solid growth in the rest of Europe can be attributed in part to the strong performance of one of our key clients.

In 2009 the asknet Group's personnel costs were 5.7 million euros, compared to 6.3 million euros in 2008.

The asknet Group incurred other operating expenses in the amount of 5.0 million euros in the period under review; in 2008 they totaled 6.2 million euros.

In fiscal year 2009, the asknet Group had an operating result (EBIT) of -1.25 million euros. After interest and taxes, the Group recorded a net loss of -1.15 million euros for the year, a year-on-year improvement of 60 percent. This development is not the result of one-time measures, but can be attributed to strategic restructuring, our scalable business model, and asknet's attractive products and services.

Account development

asknet acquired several new important international clients in 2009.

New eDistribution accounts

muvee Technologies, an internationally known pioneer and innovator in the field of automated video production, now outsources its online shops to asknet. The company used to be the client of one of our major international competitors, but has been won over by asknet's quality and service. muvee Technologies is headquartered in Singapore.

EskoArtwork is a Belgian provider of innovative solutions for design, production, communication, and management along the entire packaging and printing supply chain. The company has replaced its in-house solution and will rely exclusively on asknet for all its online sales in the future.

GridIron Software, a provider of workflow and performance tools based in Canada, now uses asknet's online shops around the world and is expanding its traditional distribution channels by selling on the Internet.

BizAgi, which offers business process management solutions that companies use to graph and document processes and procedures, has entrusted asknet with its first eShop for Europe, North America, and South America. The eShop represents a further international sales channel, supplementing resellers and direct sales. In the future, B2B customers will be able to buy licenses at reseller conditions in the eShop. BizAgi is headquartered in Columbia and is asknet's first client in South America.

New ePortal accounts

With our new account with **Bielefeld University of Applied Sciences**, our ePortals business unit has enlarged the customer base of the existing Dell Shop, from which Dell hardware can be purchased. At the same time, Bielefeld University of Applied Sciences represents a further expansion of asknet's presence in the German state of North-Rhine Westphalia (NRW).

Since November 2009, the Center for Information and Media Technology (ZIM) at **Heinrich Heine University in Düsseldorf** has been using the asknet software portal. ZIM supports institutes and facilities in purchasing software. Within the framework of campus and state licensing agreements, facilities – and in some cases, employees and students as well – can obtain licenses free of charge or for discounted university rates.

At **RWTH Aachen University**, two eProcurement portals have been linked as part of our consistent service delivery approach for research and teaching institutions: first, the asknet AG software portal and second, the Dell Germany hardware portal. Now customers get their configured devices with standard software from the hardware portal, and at the same time – thanks to intelligent linking – billing and administration of the paid, installed software that is covered by the specific software agreements between the manufacturers and the university. As part of a pilot project, an additional 12 universities in North-Rhine Westphalia will be able to profit from this service in 2010, significantly reducing administrative costs for the first-time installation of software.

Awards

We see the two awards named below as objective proof of the success of the asknet strategy.

Deloitte Touche Tohmatsu named asknet in its "Technology Fast 50," report – a ranking of the fastest-growing technology firms in Germany.

And Cyberforum, a high-tech business network, nominated asknet as a finalist for its "CyberChampions 2009" competition.

Positioning

Welcome to the fastest shopping mall in the world – these are the words that software vendors could use to greet visitors to their online shops. When it comes to speed and availability of information, there is no other sales channel that can match the Internet. The end customers benefit because the software they purchase is available almost instantly. The vendors benefit because they reach customers around the globe while keeping their structural costs low. These savings are particularly significant when, instead of operating the online shop themselves, they outsource it to a full-service provider like asknet. In addition to other advantages, this eliminates the risks associated with regional requirements and payment methods. The software manufacturers do not have to develop the in-house expertise necessary for setting up, operating, and maintaining a shop using the latest technology. Instead, they are able to enter international markets with a minimum of effort and at a speed that would be unthinkable for expansion by means of classic retail outlets.

All of these are reasons that the eCommerce market is growing increasingly attractive – the very market in which we have positioned ourselves. The number of Internet users has grown steadily worldwide, and as this figure has increased, so has the market share of online retailers. In November 2009, the German eCommerce and Distance Selling Trade Association stated that thanks to the Internet the distance selling segment was able to counter the negative growth trend in the retail sector. Around the world, more and more people see the Internet as part and parcel of their daily lives – and this includes China, the most populous country on Earth, where more than 300 million people use the Internet.

However, there are factors that can negatively influence consumers' interest in shopping online. Complicated input forms, non-confidence-inspiring modes of payment, and a dearth of information – these are only a few of the possible barriers to success in eCommerce. And every new technology can erect its own hurdles, one example being overpriced apps for online shopping on smartphones. Smartphones combine the services of a mobile phone with those of a personal digital assistant (PDA) and are extremely popular within the target group of Internet-savvy users. Despite their fundamental interest in online shopping, smartphone users, like all users of the Internet and mobile services, can be scared off by inappropriate pricing policies. However, when the shopping experience as a whole is perceived as convenient and modern and the user's information requirements are met, price is not the only deciding criterion for or against buying online.

For this reason, it is essential that operators of online shops such as asknet make their stores as user-friendly, appealing, and informative as possible – transforming the Internet from being primarily a medium for obtaining information to the most popular location for shopping. For the vendors of software, it is important to monitor their own performance with regular and careful analysis in order to ensure that their products are finding acceptance on the market. For this reason, asknet continuously generates reliable indicators for them from the shops we operate, figures which can then be used to analyze all aspects of purchasing behavior. The results provide a solid foundation for further planning.

One analytical tool is the asknet Shop Cockpit (ASC), which our clients can use on the one hand to manage their eShops, and on the other to obtain the abovementioned shop performance indicators. The ADI, asknet's Digital Index, includes important indicators such as conversion rate, which measures the frequency with which a visit to the eShop ends in a sale and how often the purchase is broken off.

Such indicators are considered generally important because they make the attractiveness of the company's products more transparent, and this applies all the more following marketing campaigns. Almost all of asknet's major clients launched intensive marketing campaigns in 2009, the success of which could be evaluated directly using the shop indicators. Given the investment that these campaigns represent for the software producers, it is especially important to have reliable data to measure their effectiveness. Furthermore, we at asknet observe the market very carefully and provide software vendors with individual advice, for example with regards to a planned expansion into another country.

In other words, we have not merely positioned ourselves in the electronic software distribution (ESD) market as the provider of a technologically perfect infrastructure. Rather, we are a reliable full-service provider that implements projects in precise accordance with our clients' requirements and decisions. This is why asknet launched our Vendor Interaction Process (VIP), a partnership approach that involves close cooperation between asknet and the vendors with the goal of continuously improving the visitor and sales figures in online shops.

asknet sees it as our responsibility to support our clients in every way. As soon as the vendor entrusts their online shop to asknet, placing a portion of their value chain in the hands of an outsider, they expect to reap significant benefits: a reduction in operating and structural costs, easy access to international markets, a trustworthy payment process, and an increase in online sales. In all these points, asknet can draw on many years of experience as a reseller. Furthermore, asknet is in the position to finalize not only classic distributor contracts with software vendors, but service provider contracts as well. This opens up access to new groups of customers for asknet.

However much we may expand our business model, it is important to remember that good technology is the basis for success in eCommerce. Here, too, we have proven ourselves. The availability of the eShops operated by asknet is usually stipulated in our contracts as 99.5 percent; however, in accordance with our internal quality standards, asknet achieved an availability rate of over 99.9 percent in 2009. The average page loading time is under two seconds. Ajax Technology and the Mobile Shopping Cart also provide a shopping experience with every convenience that modern technology has to offer.

Ajax Technology, the asknet Shop Cockpit for more efficient operation, the Mobile Shopping Cart, the increase in the number of shop languages and currencies, and PCI Level 1 – all these represent further milestones reached by asknet on our path to uncompromising, state-of-the-art convenience and security for Web shops. In addition to in-depth market and performance analyses of each shop, our highly professional account management, and individual consulting, asknet offers software vendors an impressive range of products and services within an extremely attractive market.

Investment and Employees

Investment

asknet continuously invests in the expansion of the number of shop languages and payment methods. This is because we are aware that localization plays a decisive role in whether or not a shop will find acceptance among users. To put it simply, an attractive shop boosts sales rates. The 'attractiveness factor' is in turn substantially influenced by the language of the shop, because having a shop in their own language is the best guarantee that users will understand it. Using the relevant local language, the shop can provide all the information that users want about the product and the shop itself, giving them the reassuring feeling of having clearly understood exactly how the sales process works. This is why asknet introduced an additional eight shop languages in 2009. And when it comes to the sensitive topic of payments, customers consider it important to receive and pay an invoice in their local currency in order to rule out hidden costs such as those caused by exchange rate risks or by fees. Certain countries also have preferred modes of payment. Following the finalization of our agreement with Klarna, a Swedish payment provider, asknet now offers a total of 24 payment methods. In 2009 we also initiated a partnership with the locally preferred payment provider Alipay in China.

In addition, asknet invested in three main areas in 2009. First, in reaching Level 1 compliance with the PCI (payment card industry) payments standards in order to solidify our long-term partnerships with the most important credit card companies and to offer end customers state-of-the-art security for their payments.

Second, in the new version of the asknet Shop Cockpit (ASC). The expansion started in 2008, focusing on improving the user-friendliness of the ASC. This makes it possible for companies to outsource their shops to asknet, independently set up products, prices, and campaigns, look at individual transactions, and measure shop performance. The companies can also define key performance indicators (KPI) themselves and receive graphic reports of KPI analysis. For example, the ASC displays important factors such as the conversion rate, the purchases per site visitor, the average amount spent, and the total sales. In addition, there are a variety of functions that allow individual shop design.

Third, in the studyhouse.biz software portal, which was established exclusively for the use of students. Calling it a 'software portal' is actually an understatement, because studyhouse also offers other products such as books and hardware for purchase. Students can use studyhouse to order software and licenses in a total of five different categories, including Science and Technology, System and Security, and Graphics and Multimedia. The portal is clearly structured, offers a personalized "my studyhouse" access area, and makes it possible for students to get detailed information on a single page about software, special offers, and innovations – and obtain and use them immediately if they wish. This represents an introduction to the asknet shop world that is especially attractive for an Internet-savvy and technophile user group such as students.

Employees

As in 2008, personnel costs were further reduced in 2009 due to internal restructuring and a slightly lower number of employees. As of December 31, 2009 the asknet Group employed 95 people including members of the Executive Board; in 2008 the number was 99. This figure does not include trainees and temporary employees. asknet AG employed 85 people as of December 31, 2009, including members of the Executive Board, and our subsidiary asknet Inc. in the USA employed eight. Our Japanese subsidiary asknet K.K. had two employees as of the reporting date. When trainees and temporary employees are included in the figure, as of December 31, 2009 the asknet Group had 125 employees; at the same point in 2008 we employed 128 people.

Net Assets and Financial Position, Post Balance Sheet Events and Risk Report

Net assets and financial position

As of December 31, 2009 the asknet Group had total assets of approximately 13.4 million euros; in 2008, 14.4 million euros. At the same time, total equity declined by 1.2 million euros to 5.0 million euros in the period under review, corresponding to an equity ratio of 37 percent. As of the reporting date, asknet had no significant debt. asknet employs a centralized financial management system for the Group which includes our subsidiaries. This internal cash management system serves to ensure an optimal allocation of Group investments and allows a bundling of liquidity surpluses. Liquidity therefore decreased only slightly, from 8.2 million euros at the end of 2008 to 8.0 million euros at the end of 2009. As of December 31, 2009 the asknet Group's liabilities remained almost unchanged at 7.0 million euros, compared to 6.9 million euros at the end of 2008. The Group's operative cash flow was negative, as expected, but did improve significantly from -1.7 million euros in 2008 to -0.1 million euros in 2009.

Post balance sheet events

After the end of the fiscal year, there were no material events that affected the company's net assets, financial position, and results of operations.

Risk Report

Like every provider who has positioned themselves in eDistribution, asknet is dependent on several factors that cannot be directly influenced by the company, for example global economic developments. Producers of software must continue to rely on online distribution channels and, accordingly, generate demand for the operation of online shops. Furthermore, these software vendors must be willing to outsource the operation of their shops to external service providers such as asknet.

At present, asknet is very successful in maintaining solid customer relationships. However, it would be detrimental to asknet if individual vendors chose not to continue their partnerships with us. This especially applies to the key accounts that play a major role in asknet's continued sales growth.

This is one reason that asknet makes continuous efforts to limit our dependency on individual clients by acquiring new accounts and broadening our customer base. In 2009, asknet's ten most important clients were responsible for approximately 63 percent of our gross profits. Against this background, asknet identified increased acquisition activities on the part of our largest competitor on the market. If one or more key clients should decide to terminate or fail to renew their contract with asknet, this could have a negative impact on our net assets, financial position, and operating results. When it comes to other competition, asknet faces fewer risks. With our portfolio of products and services, asknet has set ourselves apart from our smaller competitors, especially in terms of coverage of international markets.

Another adverse affect for net assets, financial position, and operating results could develop if expansion in other markets proved unprofitable. This is always the case when the costs associated with expansion (for premises, marketing, sales, etc.) are not more than offset by sufficient growth in revenues.

In order for the scalability of asknet's business model to develop to its full potential, increases in sales that are independent of one-time events or seasonal fluctuations are necessary. Whether or not a sustainable increase in sales is possible will depend in part on circumstances beyond asknet's control, for example overall economic developments, general consumer behavior and the savings rate, vendor product strategy, and the success of producers' marketing strategies. In 2009, the latter rewarded our two largest clients with a significant increase in transaction rates and therefore with an increase in sales. If such effects did not prove to be sustainable, the impact on sales would be negative.

The equity ratio remains solid, which means we do not foresee any financial bottlenecks in 2010. Our reporting and Group currency is the euro. However, some business is transacted in other currencies. For this reason, periodic fluctuations in individual currencies can affect the revenues and profits of asknet. We continuously monitor potential exchange rate risks related to balance sheet items as well as anticipated cash flows.

One pillar of asknet's financial health is of course our highly professional employees. Our staff identifies strongly with the company, which guarantees that they are highly motivated and productive. It also offers the best available insurance against the damage to our image and our bottom line that would occur if an operating system were to fail or if there were problems with an internal or outsourced IT system.

In order to vigilantly monitor such risks, asknet has developed our own control system, which we continually adapt and improve. Our goal is to utilize the collected financial and performance indicators to prevent potential risks from occurring and to accelerate our strategic development. In addition, asknet remains in constant dialog with the most important credit card companies and payment providers so we can react quickly to changes in parameters and offer a technical infrastructure for online payments with maximum security. In achieving PCI Level 1 certification, asknet has taken another important step to reduce potential risk in this area.

Besides those mentioned here, no material risks occurred or became known prior to the publication of this management report.

Outlook

"2009 will go down in history as the year of erroneous economic prognoses," declared Germany's Manager Magazin in mid-January 2010. As the magazine documented, even the leading institutes erred significantly in forecasting a maximum 2 percent drop in economic performance. The reality was that Germany was confronted with a 5 percent decline in gross domestic product in 2009. After a recession on such a large scale, it is with a mild sense of optimism that the German federal government forecasts growth of 1.4 percent for 2010 in its annual economic report. In the USA, the Chamber of Commerce anticipates 3 percent growth for the year that has just begun. Nonetheless, these statements are only prognoses whose validity has yet to be proven.

Against the background of the faulty forecasts for 2009, it now seems more reasonable to focus on the actual numbers at hand. And they speak for themselves: Despite the dramatic economic downturn, Internet sales in Germany grew by a solid 13 percent. It is clear that the consumer shift from classic retail to the Internet continues to increase. As expected, one of the major benefits of online trade, the low structural costs, is even more of an advantage when consumption as a whole is declining. After all, lower structural costs make it possible for vendors to pass on savings to end customers and still achieve a profit margin. It is especially cost effective to outsource a shop to a experienced provider operator such as asknet, because this allows the vendor to reap the advantages of many years' technological and professional competence instead of having to invest time and money in developing their own shop and keeping it up to date. Furthermore, in light of the fluctuations within individual regional markets, it is strategically imperative to enter new markets, driving forward the processes of internationalization.

asknet has been actively and steadily pursuing a strategy of internationalization for many years, and the appointment of Michael Scheib as CEO clearly demonstrates our commitment in this regard. Michael Scheib has more than 25 years' experience with different US companies, and is impressed by asknet's advanced technology as well as our spectrum of trend-setting solutions for eCommerce.

After all, the technology and the spectrum of solutions are proof that the consolidations of 2008 have put asknet on track to long-term profitability. In 2009, despite the worst economic crisis since the end of World War II, we were able to improve our profit situation from quarter to quarter and reduce our deficit by 60 percent. The consistent nature of the growth proves that it is not a one-time occurrence, but rests squarely on the scalability of our business model, our strict cost controls, and our international focus.

The latter is also reflected in asknet's workforce, which brings together highly qualified, strongly motivated professionals from around the world. They are the ones who guarantee asknet's high technological standard and provide first-class service to our clients, and we would like to take this opportunity to offer them our heartfelt thanks.

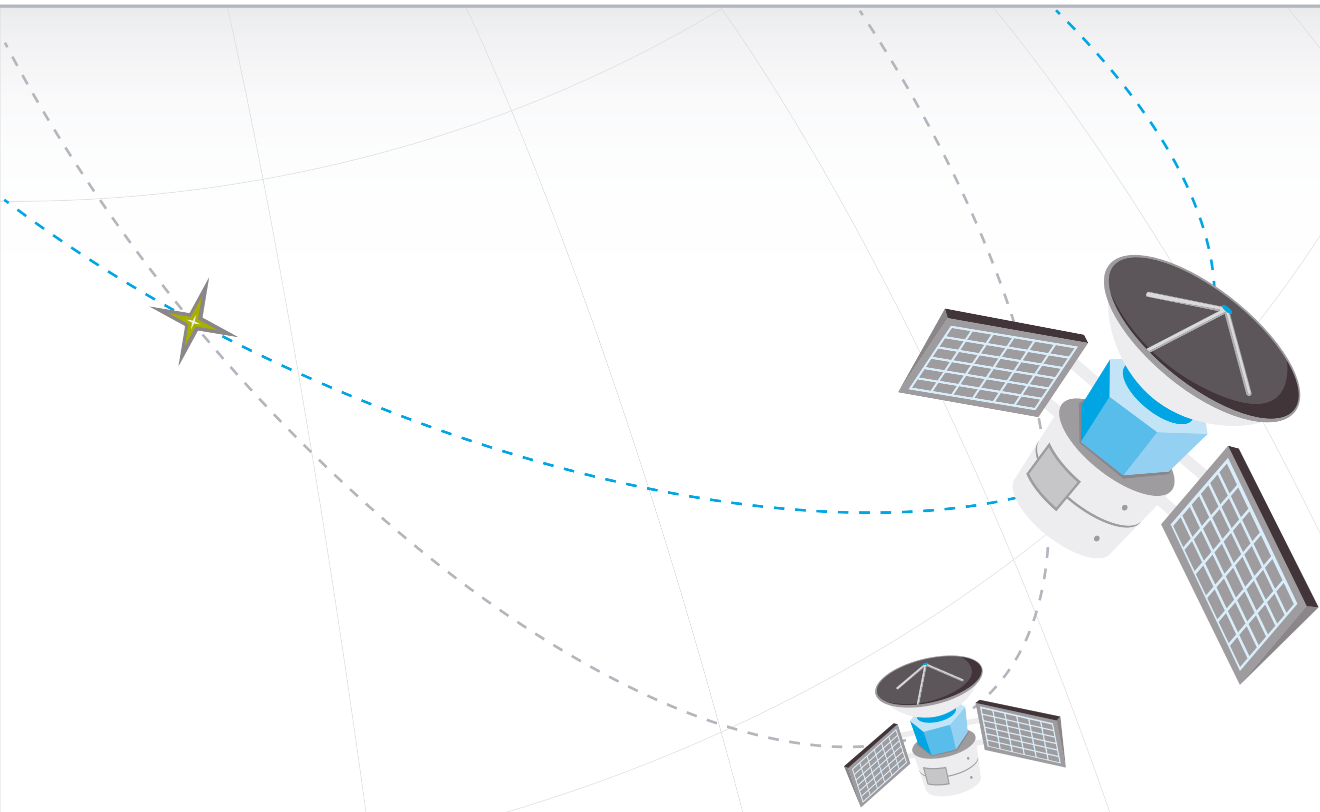
It is not least their dedication that has allowed us to significantly improve, and continue to improve, our results. asknet has emerged from the turmoil of the economic crisis with our heads held high. We therefore see ourselves in an excellent position as we move forward to a positive operating result.

Karlsruhe, February 26, 2010

asknet Group
The Executive Board

Michael Scheib | Michael Konrad | Dr. Dietmar Waudig

Consolidated Financial Statements



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Consolidated Balance Sheet

as of December 31, 2009

ASSETS		Dec. 31, 2009 in € thousands	Dec. 31, 2008 in € thousands
A.	**FIXED ASSETS**		
I.	Intangible fixed assets		
	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	65,871.58	106
II.	Tangible fixed assets		
	Other equipment, operating and office equipment	183,585.89	144
III.	Long-term financial assets		
	Shares in associates	0.00	77
		249,457.47	**327**
B.	**CURRENT ASSETS**		
I.	Inventories		
	Merchandise	192,991.93	312
II.	Receivables and other assets		
1.	Trade receivables	4,559,647.23	4,965
2.	Other assets	277,264.55	339
		4,836,911.78	**5,304**
III.	Cash-in-hand, central bank balances, bank balances, cheques	7,960,498.27	8,181
		12,990,401.98	**13,797**
C.	**PREPAID EXPENSES**	184,386.53	230
		13,424,245.98	**14,354**

EQUITY AND LIABILITIES		Dec. 31, 2009 in € thousands	Dec. 31, 2008 in € thousands
A.	**EQUITY**		
I.	Subscribed capital	5,040,000.00	5,040
II.	Capital reserves	35,976.56	1,276
III.	Currency translation differences	57,012.66	61
IV.	Consolidated net accumulated losses	– 135,068.28	– 227
		4,997,920.94	**6,150**
B.	**PROVISIONS**		
I.	Other provisions	**1,404,162.89**	**1,282**
C.	**LIABILITIES**		
1.	Trade payables	6,324,677.94	6,426
2.	Other liabilities of which taxes € 479,686.97 (previous year € 311 thousand) of which relating to social security and similar obligations € 6,245.29 (previous year € 2 thousand)	648,796.71	450
		6,973,474.65	**6,876**
D.	**DEFERRED INCOME**	48,687.50	46
		13,424,245.98	**14,354**

Consolidated Income Statement

Fiscal year 2009

		2009 in €	2008 in € thousands
1.	Sales	68,938,755.15	74,713
2.	Other operating income	182,455.77	694
		69,121,210.92	**75,407**
3.	Cost of materials		
	a) Cost of purchased merchandise	– 59,279,525.33	– 65,668
	b) Cost of purchased services	– 205,289.26	– 153
4.	Personnel expenses		
	a) Wages and salaries	– 4,908,053.60	– 5,472
	b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions € 4,410.24 (previous year € 4 thousand)	– 776,772.90	– 817
5.	Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	– 144,035.92	– 183
6.	Other operating expenses	– 5,046,193.69	– 6,209
		– 70,359,870.70	**– 78,502**
7.	Interest and similar income	105,630.85	272
8.	Expenses from shares in associates	0.00	– 43
9.	Interest and similar expenses	– 4,152.02	– 2
		101,478.83	**227**
10.	Result from ordinary activities	– 1,137,180.95	– 2,868
11.	Other taxes	– 11,052.32	– 28
12.	Consolidated net loss for the year	– 1,148,233.27	– 2,896
13.	Accumulated losses brought forward	– 227,261.23	– 373
14.	Withdrawals from capital reserves	1,240,426.22	3,042
15.	Consolidated net accumulated losses	– 135,068.28	– 227

Consolidated Cash Flow Statement

Fiscal year 2009

		2009 in € thousands	2008 in € thousands
1.	**Cash flows from operating activities**		
	Consolidated net loss for the year before interest paid	– 1,144	– 2,894
	Interest paid	**– 4**	**– 2**
	Consolidated net loss	**– 1,148**	**– 2,896**
	Depreciation, amortization and write-downs	144	226
	Loss on disposal of fixed assets	– 3	1
	Decrease in provisions	123	– 322
	Decrease in receivables and other assets	623	802
	Increase in liabilities	122	504
	Cash flows from operating activities	– 139	– 1,685
2.	**Cash flows from investing activities**		
	Purchase of intangible fixed assets	– 24	– 69
	Purchase of tangible fixed assets	– 121	– 36
	Proceeds from the sale of financial assets	80	0
	Cash flows from investing activities	– 65	– 105
3.	**Cash funds at end of period**		
	Net change in cash funds (subtotal 1 – 2)	– 204	– 1,790
	Effect on cash funds of exchange rate movements	– 17	28
	Cash funds at beginning of period	8,181	9,943
	Cash funds at end of period	7,960	8,181
4.	**Components of cash funds**		
	Cash	7,960	8,181
	Cash funds at end of period	**7,960**	**8,181**

Consolidated Statement of Changes in Equity

Fiscal year 2009

	Subscribed capital (Ordinary shares) in €	Capital reserves in €	Net accumulated losses in €	Currency translation differences in €	Group equity in €
Jan. 1, 2008	**5,040,000.00**	**4,318,076.15**	**– 373,404.35**	**20,050.66**	**9,004,722.46**
Consolidated net loss for the year	0.00	0.00	– 2,895,530.25	0.00	– 2,895,530.25
Other comprehensive income	0.00	0.00	0.00	40,879.78	40,879.78
Comprehensive income	0.00	0.00	– 2,895,530.25	40,879.78	– 2,854,650.47
Withdrawals from capital reserves	0.00	– 3,041,673.37	3,041,673.37	0.00	0.00
Dec. 31, 2008	**5,040,000.00**	**1,276,402.78**	**– 227,261.23**	**60,930.44**	**6,150,071.99**
Jan. 1, 2009	**5,040,000.00**	**1,276,402.78**	**– 227,261.23**	**60,930.44**	**6,150,071.99**
Consolidated net loss for the year	0.00	– 1,240,426.22	– 1,148,233.27	0.00	– 2,388,659.49
Other comprehensive income	0.00	0.00	0.00	– 3,917.78	– 3,917.78
Comprehensive income	0.00	– 1,240,426.22	– 1,148,233.27	– 3,917.78	– 2,392,577.27
Withdrawals from capital reserves	0.00	0.00	1,240,426.22	0.00	1,240,426.22
Dec. 31, 2009	**5,040,000.00**	**35,976.56**	**– 135,068.28**	**57,012.66**	**4,997,920.94**

Auditors' Report

"We have audited the annual report – comprising the balance sheet, the income statement, and the notes to the financial statements – and the accounting and the management report of asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany, for the fiscal year from January 1 to December 31, 2009. The legal representatives of asknet bear the responsibility for the company's accounting and the preparation of the annual financial statement and the management report in accordance with German commercial law. Our task is – based on the audit we conduct – to provide an assessment of the annual financial statement, including the accounting, and of the management report.

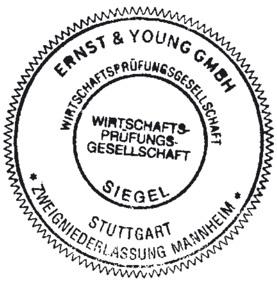
We conducted our audit of the financial statement in accordance with section 317 of the German Commercial Code (HGB - Handelsgesetzbuch) and with due consideration of the accepted German auditing procedures defined by the professional association of German CPAs (IDW – Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such a manner that we can detect with reasonable assurance any inaccuracies and/or irregularities that would materially affect the presentation of the net assets, financial position, and operating results in the management report and in the financial statement, which is prepared in accordance with the accepted German accounting principles (GoB). In defining the audit procedures, we incorporate knowledge of the company's business activities and its economic and legal environment, and anticipate possible errors. Within the framework of the audit, random checks are performed to determine the effectiveness of the accounting-related internal control system and the accuracy of the supporting documentation for the accounting, financial statement, and management report. The audit includes an evaluation of the accounting principles applied and the conclusions drawn by the legal representatives of the company, as well as an analysis of the overall representation given in the financial statements and the management report. We believe that our audit provides a sufficient and reasonable basis for our conclusions.

We concluded our audit with no reservations.

To the best of our knowledge and based on the findings of our audit, this annual financial statement complies with all legal requirements and accurately presents the net assets, financial position, and operating results of the company in accordance with accepted German accounting principles (GoB). The management report is consistent with the financial statements and as a whole gives a substantiated picture of the company's position and an accurate representation of future opportunities and risks."

Mannheim, February 26, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
(assurance and advisory services)



Th. Müller
Wirtschaftsprüfer
(certified accountant)

Schmitt
Wirtschaftsprüfer
(certified accountant)

asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany

Notes to the 2009 consolidated financial statements

General information

These consolidated financial statements were prepared in accordance with section 290 et seq of the German Commercial Code (HGB – Handelsgesetzbuch).

These items are presented separately in the notes. We have also incorporated the additional disclosures required for individual items into the notes. We prepared the consolidated income statement using total cost accounting methods.

Companies of the asknet Group

The consolidated financial statements include the parent company asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany as well as the wholly owned subsidiaries asknet Inc., San Francisco, USA and asknet K.K., Tokyo, Japan, which are fully consolidated.

Accounting and reporting policies

The financial statements of the companies included in the parent company's consolidated financial statements were prepared using uniform accounting and reporting methods.

The realization and imparity principles were complied with; assets were valued at no higher than acquisition or production cost.

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

Tangible **fixed assets** are carried at their acquisition or production cost and are subject to scheduled depreciation. Until December 31, 2007, low value assets with a value of up to 410.00 euros were fully written off in the year they were acquired; immediate asset retirement was assumed. Since January 1, 2008, low value assets whose cost does not exceed 150.00 euros have been written off immediately. Low value assets with a cost of between 150.00 euros and 1,000.00 euros are depreciated linearly over five years.

Merchandise is carried at the lower of acquisition cost or market price.

Appropriate write-downs have been recognized for all identifiable **inventory** risks that result from reduced marketability and lower replacement costs.

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

Receivables and other assets are carried at their face value. Adequate specific provisions are allowed for all items that carry risk; the general credit risk is covered by standard write-downs.

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

All identifiable risks were taken into account in the measuring of **provisions**.

Liabilities are carried at their settlement values.

Translation of foreign currencies

The individual financial statements of the asknet subsidiaries were prepared in USD and JPY respectively, and were translated at the closing rates. All balance sheet items were translated into euros on the financial statement date using the respective mean rate of exchange, with the exception of equity, which was translated using historical exchange rates. Any differences arising from changes in exchange rates compared with the previous year or at the date of initial consolidation were taken directly to the difference in equity due to currency translation.

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 the difference in equity due to currency translation.

Consolidation principles

The initial capital consolidation was carried out using the book value method at the time of the initial consolidation.

Receivables and liabilities, as well as income and expenses were eliminated. No eliminations of inter-company profits or losses were necessary.

No deferred taxes resulted.

Explanatory notes to the consolidated balance sheet

Fixed assets

Changes in fixed assets are presented on page 7.

Receivables and other assets

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

Bank balances

Of our bank balances, 961 thousand euros are reserved as collateral for aval commitments.

Equity

The subscribed capital of 5,040 thousand euros and the capital reserves of 36 thousand euros correspond to the balance sheet items reported by the parent company.

The following developments took place in the consolidated net accumulated losses:

	EUR thousand
January 1, 2009	– 227
Group annual deficit	– 1,148
Withdrawals from capital reserves	1,240
December 31, 2009	– 135

Stock options

In the 2008 fiscal year, employees and members of the Executive Board were granted 230,000 stock options; in 2009 the number was 120,000.

These subscription rights entitle the stock option owner to purchase a registered share in the company at a nominal value of 1.00 euro per share as soon as the vesting period (two years from the granting of the subscription right) for the first-time exercise of the right has elapsed, certain performance targets have been met, and the other conditions for exercising the right have been fulfilled.

For the stock options granted in the first half of 2008, the performance target was an EBIT margin (as explained below) of greater than or equal to three percent in the 2009 fiscal year. The performance target was not met for the stock options granted in the first half of 2008. For stock options granted in the second half of 2008 as well as in 2009, the respective performance targets will be met if the EBIT margin is greater than or equal to ten percent in the 2010 fiscal year. The EBIT margin represents the relationship between the asknet Group's profits before interest and taxes are subtracted (EBIT – earnings before interest and taxes) on the one hand and the asknet Group's net sales revenues on the other.

Bearer shares in the company are purchased at the exercise price. This is equal to the average share price of the company's registered no-par stock in the last thirty days before the subscription right was granted. In accordance with section 9, paragraph 1 of the German Stock Corporation Act (AktG – Aktiengesetz), the exercise price must be equal to at least the fraction of the company's share capital represented by a single no-par share.

Sales revenues

	2009	2008
Sales revenues by segment	**EUR thousand**	**EUR thousand**
Product sales to academic institutions, business and private customers	21,510	21,144
eDistribution network	47,429	53,569
	68,939	**74,713**
Sales revenues by region		
Germany	27,997	26,598
USA	14,910	19,201
Other countries	26,032	28,914
	68,939	**74,713**

Of the stock options granted in the 2008 fiscal year, 150,000 expired during the fiscal year.

Liabilities

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

Other financial obligations

asknet has other financial obligations in the amount of 623 thousand euros from rental agreements and leases.

Other disclosures

Employees

The average number of employees (not including members of the Executive Board, temporary employees, and trainees) in the fiscal year was 85 in Germany and eight in other countries.

Total remuneration of the Executive Board

In 2009, the Executive Board received remuneration of 643 thousand euros. In addition, the Executive Board received 10,000 stock options with a time value of 0.00 euros at the time they were granted.

Total remuneration of the Supervisory Board

In 2009, the Supervisory Board received remuneration of 75 thousand euros.

Group shareholdings

The Group's associated company asknet BB Corp. of Tokyo, Japan, was liquidated during the fiscal year.

Auditing and consulting fees

The auditor's fee for the fiscal year totaled 101 thousand euros. This was broken down as follows:

a) Auditing services	€34,000
b) Other consulting services	€12,000
c) Tax consulting services	€55,000

Karlsruhe, February 26, 2010

asknet Aktiengesellschaft
Electronic Business Solutions
– The Executive Board –

Michael Scheib Michael Konrad Dr. Dietmar Waudig

Consolidated Statement of Changes in Fixed Assets

2009

		Cost			
		Jan. 1, 2009 historical in €	Foreign exchange differences in €	Additions in €	Disposals in €
I.	**Intangible fixed assets**				
	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	650,956.06	– 36.86	23,629.24	0.00
II.	**Tangible fixed assets**				
	Other equipment, operating and office equipment	569,142.66	– 918.21	121,132.73	61,471.99
III.	**Long-term financial assets**				
	Shares in associates	274,676.08	0.00	0.00	274,676.08
		1,494,774.80	**– 955.07**	**144,761.97**	**336,148.07**

	Depreciation, amortization and write-downs					Carrying amount	
Dec. 31, 2009 in €	Jan. 1, 2009 historical in €	Foreign exchange differences in €	Additions in €	Disposals in €	Dec. 31, 2009 in €	Dec. 31, 2009 in €	Dec. 31, 2008 in €
674,548.44	545,425.12	– 22.06	63,273.80	0.00	608,676.86	65,871.58	105,530.94
627,885.19	425,244.50	– 722.33	80,762.12	60,984.99	444,299.30	183,585.89	143,898.16
0.00	197,930.87	0.00	0.00	197,930.87	0.00	0.00	76,745.21
1,302,433.63	**1,168,600.49**	**– 744.39**	**144,035.92**	**258,915.86**	**1,052,976.16**	**249,457.47**	**326,174.31**

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Balance Sheet

as of December 31, 2009

ASSETS		Dec. 31, 2009 in €	Dec. 31, 2008 in € thousands
A.	**FIXED ASSETS**		
I.	Intangible fixed assets		
	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	65,439.79	105
II.	Tangible fixed assets		
	Other equipment, operating and office equipment	176,370.40	133
III.	Long-term financial assets		
1.	Shares in affiliated companies	143,204.04	143
2.	Loans to affiliated companies	87,500.00	178
3.	Other long-term equity investments	0.00	77
		230,704.04	**398**
		472,514.23	**636**
B.	**CURRENT ASSETS**		
I.	Inventories		
	Merchandise	192,991.93	312
II.	Receivables and other assets		
1.	Trade receivables	4,559,647.23	4,965
2.	Receivables from affiliated companies	131,263.13	221
3.	Other assets	252,726.41	325
		4,943,636.77	**5,511**
III.	Cash-in-hand and bank balances	7,659,344.43	7,756
		12,795,973.13	**13,579**
C.	**PREPAID EXPENSES**	175,142.70	227
		13,443,630.06	**14,442**

EQUITY AND LIABILITIES		Dec. 31, 2009 in €	Dec. 31, 2008 in € thousands
A.	**EQUITY**		
I.	Subscribed capital	5,040,000.00	5,040
	Contingent capital € 500,000.00		
II.	Capital reserves	35,976.56	1,276
III	Net retained profits	0.00	0.00
		5,075,976.56	**6,316**
B.	**PROVISIONS**		
I.	Other provisions	1,380,536.10	1,248
C.	**LIABILITIES**		
1.	Trade payables	6,320,704.69	6,400
2.	Liabilities to affiliated companies	30,922.91	38
3	Other liabilities of which taxes € 475,593.27 thousand (previous year: € 309 thousand) of which relating to social security and similar obligations € 6,245.29 thousand (previous year 2 thousand)	586,802.30	394
		6,938,429.90	**6,832**
D.	**DEFERRED INCOME**	48,687.50	46
		13,443,630.06	**14,442**

Income Statement

Fiscal year 2009

		2009 in €	2008 in € thousands
1.	Sales	68,938,755.15	74,713
2.	Other operating income	188,926.07	711
		69,127,681.22	**75,424**
3.	Cost of materials		
	a) Cost of purchased merchandise	– 59,279,525.33	– 65,667
	b) Cost of purchased services	– 205,289.26	– 153
4.	Personnel expenses		
	a) Wages and salaries	– 4,241,374.68	– 4,552
	b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions € 4,410.24 (previous year € 4 thousand)	– 722,352.76	– 754
5.	Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	– 138,949.79	– 177
6.	Other operating expenses	– 5,892,693.89	– 7,430
		– 70,480,185.71	**– 78,733**
7.	Income from long-term loans	5,375.00	9
8.	Other interest and similar income	112,541.29	278
	of which from affiliated companies € 7,000.00 (previous year € 7 thousand)		
9.	Write-downs of long-term financial assets	0.00	– 15
10.	Interest and similar expenses	– 4,152.02	– 2
		113,764.27	
11.	Result from ordinary activities	– 1,238,740.22	– 3,039
12.	Other taxes	– 1,686.00	– 3
13.	Net loss for the year	– 1,240,426.22	– 3,042
14.	Withdrawals from capital reserves	1,240,426.22	3,042
15.	Net retained profits	**0.00**	**0.00**

Auditors' Report

"We have audited the consolidated financial statements – comprising balance sheet, income statement, notes to the financial statements, cash flow statement, and statement of changes in equity – and the Group management report prepared by asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany, for the fiscal year from January 1 to December 31, 2009. The legal representatives of asknet bear the responsibility for the preparation of the consolidated financial statements and the Group management report in accordance with German commercial law. Our task is – based on the audit we conduct – to provide an assessment of the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (HGB – Handelsgesetzbuch) and with due consideration of the accepted German auditing procedures defined by the professional association of German CPAs (IDW – Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such a manner that we can detect with reasonable assurance any inaccuracies and/or irregularities that would materially affect the presentation of the net assets, financial position, and operating results in the Group management report and in the consolidated financial statements, which are prepared in accordance with the accepted German accounting principles (GoB). In defining the audit procedures, we incorporate knowledge of the Group's business activities and its economic and legal environment, and anticipate possible errors. Within the framework of the audit, random checks are performed to determine the effectiveness of the accounting-related internal control system and the accuracy of the supporting documentation for the consolidated financial statements and Group management report. The audit includes an evaluation of the annual financial statements of those corporate entities included in the consolidated financial statements, the determination to include these entities, the accounting and consolidation principles applied, and the assessments and prognoses made by the legal representatives of the Group, as well as well as an analysis of the overall representation given in the consolidated financial statements and Group management report. We believe that our audit provides a sufficient and reasonable basis for our conclusions.

We concluded our audit with no reservations.

To the best of our knowledge and based on the findings of our audit, these consolidated financial statements comply with all legal requirements and accurately present the net assets, financial position, and operating results of the Group in accordance with the accepted German accounting principles (GoB). The Group management report is consistent with the consolidated financial statements and as a whole gives a substantiated picture of the Group's position and an accurate representation of future opportunities and risks."

Mannheim, February 26, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
(assurance and advisory services)

Th. Müller
Wirtschaftsprüfer
(certified accountant)

Schmitt
Wirtschaftsprüfer
(certified accountant)

ERNST & YOUNG GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT
SIEGEL
STUTTGART
ZWEIGNIEDERLASSUNG MANNHEIM

asknet Aktiengesellschaft Electronic Business Solutions, Karlsruhe, Germany

Notes to 2009 Annual Report

General information

This annual financial statement was prepared in accordance with section 242 et seq and section 262 et seq of the German Commercial Code (HGB – Handelsgesetzbuch) as well as the pertinent regulations of the German Stock Corporation Act (AktG –Aktiengesetz). As of December 31, 2009 the company fulfilled the size classification for a medium-sized corporation.

The income statement was prepared using total cost accounting methods.

Accounting and reporting methods

In the preparation of this annual report, the following accounting and reporting methods were categorically adopted without alteration.

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

Tangible fixed assets are carried at their acquisition or production cost and are subject to scheduled depreciation (straight-line method).

Tangible fixed assets are depreciated in accordance with their expected service life. Until December 31, 2007, low-value assets with a value of up to 410.00 euros were fully written off in the year they were acquired; immediate asset retirement was assumed. Since January 1, 2008, low-value assets whose cost does not exceed 150.00 euros have been written off immediately. Low value assets with a cost of between 150.00 euros and 1,000.00 euros are depreciated linearly over five years.

In the case of **financial assets**, shares are carried at the lower of cost or fair value and loans are carried at their face value.

Merchandise is carried at the lower of acquisition cost or market price.

Appropriate write-downs have been recognized for all identifiable **inventory** risks that result from reduced marketability and lower replacement costs.

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

Receivables and other assets are carried at their face value. Adequate specific provisions are allowed for all items that carry risk; the general credit risk is covered by standard write-downs. Foreign currency receivables are valued at the lower of exchange rate at time of purchase or the exchange rate on the financial statement date.

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

The **other provisions** reflect all contingent liabilities and impending losses from outstanding contracts. The amount is determined in accordance with reasonable business judgment.

Liabilities are carried at their settlement values. Foreign currency liabilities are valued at the higher of exchange rate at time of acquisition or the exchange rate on the financial statement date.

Explanatory notes on financial statements

Fixed assets

The depreciation of individual fixed asset items during the fiscal year is presented in the summary of fixed assets.

Information on shareholdings

	Date of closing	Currency	Share in %	Equity in local currency	Result in local currency
asknet Inc., San Francisco, USA	12/31/2009	USD million	100.0	– 0.03	0.09
asknet K.K. Tokyo, Japan	12/31/2009	JPY million	100.0	11.83	1.38

Receivables and other assets

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

Bank balances

Of our bank balances, 961 thousand euros are reserved as collateral for aval commitments.

Equity

Subscribed capital

The share capital of the company equaled 5,040,000.00 euros at the end of the fiscal year and consists of registered no-par value shares (common stock). Each no-par share represents one vote. The share capital was fully paid up.

Authorized capital

At the regular annual general meeting on July 28, 2006, with the full approval of the Supervisory Board, the Executive Board was given authorization, extending until July 21, 2011, to increase the share capital of the corporation on one or more occasions by a total amount not to exceed 1.8 million euros through the issue of new registered no-par shares against cash or payment in kind.

Contingent capital of up to 150,000.00 euros

At the annual general meeting on July 28, 2006, the Executive Board and the Supervisory Board were authorized to increase contingent capital by up to 150,000.00 euros in the form of registered no-par shares. This was for the purpose of stock options.

Contingent capital of up to 350,000.00 euros

As part of a stock option program, at the annual general meeting of May 30, 2008, the share capital of the company was contingently increased by up to 350,000.00 euros through the issue of up to 350,000 new registered no-par shares. This contingent capital increase officially took effect on July 30, 2008, when it was recorded in the commercial register.

Stock options

In the 2008 fiscal year, employees and members of the Executive Board were granted 230,000 stock options; in 2009 the number was 120,000.

These subscription rights entitle the stock option owner to purchase a registered share in the company at a nominal value of 1.00 euro per share as soon as the vesting period (two years from the granting of the subscription right) for the first-time exercise of the right has elapsed, certain performance targets have been met, and the other conditions for exercising the right have been fulfilled.

For the stock options granted in the first half of 2008, the performance target was an EBIT margin (as explained below) of greater than or equal to three percent in the 2009 fiscal year. The performance target was not met for the stock options granted in the first half of 2008. For stock options granted in the second half of 2008 as well as in 2009, the respective performance targets will be met if the EBIT margin is greater than or equal to ten percent in the 2010 fiscal year. The EBIT margin represents the relationship between the asknet Group's profits before interest and taxes are subtracted (EBIT – earnings before interest and taxes) on the one hand and the asknet Group's net sales revenues on the other.

Bearer shares in the company are purchased at the exercise price. This is equal to the average share price of the company's registered no-par stock in the last thirty days before the subscription right was granted. In accordance with section 9, paragraph 1 of the German Stock Corporation Act (AktG – Aktiengesetz), the exercise price must be equal to at least the fraction of the company's share capital represented by a single no-par share.

Of the stock options granted in the 2008 fiscal year, 150,000 expired in the fiscal year.

Capital reserves

1,240 thousand euros were taken from the capital reserves to offset the net losses from 2009.

Other provisions

Other provisions primarily consisted of leave entitlement and special bonuses, contributions to professional associations, year-end closing costs, and tax accountant fees, as well as outstanding vendor invoices.

Liabilities

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

Other financial obligations

asknet has other financial obligations in the form of rental agreements and leases with the following maturities:

Other financial obligations

	EUR thousand
to end within one year	326
to end in one to five years	213
to end after five years	0

Other disclosures

Directors of the corporation

The Executive Board

The members of the executive board are:

Mr. Michael Scheib
Chairman of the Executive Board, Wörthsee, Germany
CEO (Chief Executive Officer) since January 18, 2010 and

Mr. Gerald Prior
Chairman of the Executive Board, Baden-Baden, Germany
CEO (Chief Executive Officer) until July 31, 2009 and

responsible for:

(1) Business policy guidelines and corporate strategy
(2) Corporate development
(3) Sales and marketing
(4) Communication (corporate communication, press, investor relations, Supervisory Board concerns)
(5) Management of asknet's USA subsidiary

Dr. Dietmar Waudig
Member of the Executive Board, Karlsruhe, Germany
COO (Chief Operating Officer) and responsible for:

(1) Technical development (product development, technical operations, and technical support)
(2) Product management
(3) Professional Services
(4) Quality management and assurance
(5) Technical infrastructure and operations

Mr. Michael Konrad
Member of the Executive Board, Karlsruhe, Germany
CFO (Chief Financial Officer) and responsible for:

(1) Finance and accounting
(2) Controlling and risk management
(3) Corporate financing
(4) Logistics (procurement, purchasing, stock-keeping, warehouse, material flow)
(5) Payment procedures
(6) Administration and human resources
(7) Legal and taxes
(8) Customer service
(9) Management of asknet's Japanese subsidiary and shareholdings

Supervisory Board
The members of the Supervisory Board are:

Dr. Joachim Bernecker
Management Consultant, Straubenhardt, Germany
– Chairman –

Mr. Joachim Hug
Göppingen, Germany, Managing Director of Süd Kapitalbeteiligungs GmbH

Mr. Thomas Krüger
Eichenau, Germany, Managing Director of Ad Astra GmbH, Munich, Germany
– Deputy Chairman –

Mr. Rafael Laguna
Management Consultant, Gummersbach, Germany

Dr. Frank Lerchenmüller
Management Consultant, Frankfurt am Main, Germany

Mr. Marc Wurster
Attorney / Tax Advisor, Karlsruhe, Germany

Total remuneration of the Executive Board

In 2009, the Executive Board received remuneration of 643 thousand euros. In addition, the Executive Board received 10,000 stock options with a time value of 0.00 euros at the time they were granted.

Total remuneration of the Supervisory Board

In 2009, the Supervisory Board received remuneration of 75 thousand euros.

Auditing and consulting fees

The company is included in the consolidated financial statements of asknet Aktiengesellschaft Electronic Business Solutions. For this reason, the disclosure of auditing and consulting fees has been waived in accordance with paragraph 285 number 17 of the German Commercial Code (HGB – Handelsgesetzbuch).

Affiliated group

The annual financial statement is included in the consolidated financial statements of asknet Aktiengesellschaft Electronic Business Solutions.

Employees

During the 2009 fiscal year, the company employed an average of 85 employees (not including Executive Board, trainees, and temporary employees).

Karlsruhe, February 26, 2010

asknet Aktiengesellschaft
Electronic Business Solutions
– The Executive Board –

Michael Scheib Michael Konrad Dr. Dietmar Waudig

Statement of Changes in Fixed Assets

2009

		Cost			
		Jan. 1, 2009 in €	Additions in €	Disposals in €	Dec. 31, 2009 in €
I.	**Intangible fixed assets**				
	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	649,868.25	23,629.24	0.00	673,497.49
II.	**Tangible fixed assets**				
	Other equipment, operating and office equipment	542,042.92	119,728.55	61,471.99	600,299.48
III.	**Long-term financial assets**				
	1. Shares in affiliated companies	143,204.04	0.00	0.00	143,204.04
	2. Loans to affiliated companies	177,500.00	0.00	90,000.00	87,500.00
	3. Other long-term equity investments	276,510.00	0.00	276,510.00	0.00
		597,214.04	**0.00**	**366,510.00**	**230,704.04**
		1,789,125.21	**143,357.79**	**427,981.99**	**1,504,501.01**

Depreciation, amortization and write-downs				Carrying amount	
Jan. 1, 2009 in €	Additions in €	Disposals in €	Dec. 31, 2009 in €	Dec. 31, 2009 in €	Dec. 31, 2008 in €
544,995.46	63,062.24	0.00	608,057.70	65,439.79	104,872.79
409,026.52	75,887.55	60,984.99	423,929.08	176,370.40	133,016.40
0.00	0.00	0.00	0.00	143,204.04	143,204.04
0.00	0.00	0.00	0.00	87,500.00	177,500.00
199,764.79	0.00	199,764.79	0.00	0.00	76,745.21
199,764.79	**0.00**	**199,764.79**	**0.00**	**230,704.04**	**397,449.25**
1,153,786.77	**138,949.79**	**260,749.78**	**1,031,986.78**	**472,514.23**	**635,338.44**

Supervisory Board Report

Dear Shareholders,

In fiscal year 2009, the Supervisory Board performed our tasks and duties in accordance with the law and the articles of association. In an intensive and ongoing dialog with the company's Executive Board, we received regular, up-to-date, and comprehensive information on business developments, performance, and perspectives of asknet AG. We were also kept abreast on investment projects and other special topics. In addition, the Supervisory Board made certain that the Executive Board was carrying out risk management in a due and proper manner and in accordance with section 91(2) of the German Stock Corporation Act (AktG – Aktiengesetz); that the system was being implemented effectively; and that the company was being managed in a due and proper manner and in full compliance with the law. As a result the Executive Board was able to comply with its legal and internal reporting requirements in full and in a timely manner. The Supervisory Board advised and oversaw the Executive Board on matters relating to business strategy. This included consultation between the Executive Board and Supervisory Board in planning activities and determining the strategic focus of asknet AG.

The executive management provided written and oral reports, both within and outside the regular Supervisory Board meetings. The Supervisory Board was directly involved in all decisions and planning of material importance to the company. The Supervisory Board complied fully with the law and the articles of association in participating in or deciding on the matters required therein. After thorough examination and discussion, the Supervisory Board approved the Executive Board's proposed resolutions insofar as was required by the law, the articles of association, or the bylaws for the Executive Board. The Executive Board provided the Supervisory Board with the necessary documentation for the topics under consideration in good time; the Supervisory Board requested and received additional information from the Executive Board as necessary and reviewed the documents and contracts in question.

The Executive Board and the Supervisory Board have a long history of close cooperation and open dialog based on mutual trust. The Supervisory Board met a total of four times during the 2009 fiscal year, with one meeting held each quarter. All members of the Supervisory Board participated in three of the meetings that were held in 2009, while one Supervisory Board meeting was attended by five members. In addition, the Executive Board and the Supervisory Board remained in close communication, exchanging information by telephone and holding further discussions as necessary. Individual resolutions were also approved by all Supervisory Board members in writing in lieu of a meeting.

At the quarterly meetings, the company's current business position was a regular point on the agenda. Discussion included the results for the most recent quarter, the cumulative results for the year to date, an analysis of targets and actual performance figures, and the projected results for the fiscal year. The Chairman of the Supervisory Board continued to regularly exchange information and ideas on the company's business as well as other important issues affecting asknet AG.

Key topics addressed by the Supervisory Board

In addition to our ongoing discussions on company performance, the Supervisory Board focused on a number of key topics in this reporting year.

In our meeting of March 18, 2009, we addressed the usual subjects of performance and outlook, with a particular emphasis on the results reported on the 2008 annual report as well as the approval of the consolidated financial statements based on the recommendations of the audit committee. We also reviewed the fulfillment of performance targets in the 2008 fiscal year and the final planning resolution for 2009.

At the Supervisory Board meeting on June 26, 2009, the agenda included a general discussion of the company's position (first quarter results of 2009), the forecast for the year as a whole, and finalizing decisions for the annual general meeting, which was held on the afternoon of June 26.

At our meeting on September 24, 2009, we discussed the company's performance (results for the first half of 2009) as well as asknet's sales and marketing, the initial business outlook for 2010, and the potential consequences and impact of the resignation of Mr. Gerald Prior as CEO, which took effect on July 31, 2009.

The company results for the first three quarters of 2009 were addressed at our meeting on November 25, 2009; the Executive Board presented and discussed its planning for 2010, which was approved by the Supervisory Board. In addition, the fulfillment of Executive Board targets in 2009 was the subject of a Supervisory Board resolution.

Additional Supervisory Board resolutions, which were typically discussed in detail at the abovementioned meetings or in Supervisory Board telephone conferences and then finalized via the circulation of written documents, included:

- Resolutions related to the stock option plan that was approved at the annual general meeting in 2008

- Report of the Supervisory Board for the 2008 fiscal year and the agenda for the annual general meeting in 2009

- Approval of the resignation of Mr. Gerald Prior effective July 31, 2009, finalization of a severance agreement, and termination of his appointment to the Executive Board effective July 31, 2009

- Changes in the distribution of responsibilities among members of the Board in July 2009

- Authorization of actions that required the approval of the Supervisory Board, such as the hiring of new employees whose salary exceeded a defined threshold

- Appointment of Mr. Michael Scheib to the Executive Board and as CEO of asknet AG for the period from January 18, 2010 to December 31, 2012 (resolution followed at the beginning of January 2010) as well as the employment contract that was to be finalized with Mr. Scheib

The Executive Board, in consultation with the Supervisory Board, was prepared for the effects of the economic crisis, which carried over into 2009, and a related short-term decrease in company growth. It became evident that many of asknet's clients continued to experience declining sales in the first half of 2009, with the negative sales growth of many clients reaching a low point in the second or third quarter of the year and starting to recover in the fourth quarter. These developments also had a major effect on our key accounts. In addition, in 2009 the company was once again able to attract a number of new clients, making further corporate growth possible despite the year's economic and financial crisis.

Supervisory Board committees

In the 2009 fiscal year, the audit committee, which is specifically responsible for the preparatory review and discussion of the documentation for the annual financial statements, met before the Supervisory Board meeting on March 18, 2009. In this meeting, auditors from the company Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim, reported on the findings of their audit of the annual financial statements. The members of the audit committee asked the auditors questions and discussed the findings of the audit in detail. In addition, members of the audit committee and the other members of the Supervisory Board subjected the company's performance and the monthly reporting of the Executive Board to critical review and discussed their questions in detail with the Executive Board.

The personnel committee, which lays the groundwork for any human resources decisions made by the Supervisory Board, was occupied in the middle of 2009 with the termination of Mr. Gerald Prior's contract, and at the end of 2009 with the selection and appointment of Mr. Michael Scheib as the new CEO of the company.

Annual general meeting

asknet AG's regular annual general meeting was held on June 26, 2009. The main items on the agenda were granting discharge to the Executive Board and the Supervisory Board, the selection of auditors for the 2009 fiscal year, and formal changes to the articles of association. The resolutions for all agenda items were carried by a large majority of the shareholders present.

Audit of the annual financial statement

At the annual general meeting on June 26, 2009, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim, was selected to perform the audit of the financial reports for the 2009 fiscal year. The company, now known as Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart (hereinafter Ernst & Young) audited asknet AG's annual financial statement for the period ending December 31, 2009, the consolidated financial statements for the period ending December 31, 2009, and the management reports of asknet AG and the asknet Group. These were all issued without reservations on the part of the auditor. asknet AG's annual financial statement and the consolidated financial statements were prepared in accordance with the German Commercial Code (HGB – Handelsgesetzbuch).

The annual financial statement, consolidated financial statements, management reports, and Ernst & Young's audit reports were provided to all members of the Supervisory Board in a timely manner. In a meeting held on March 25, 2010, the auditors presented the findings of their audit to the asknet AG Supervisory Board's audit committee, who then asked the auditors supplementary questions. The audit committee recommended that the Supervisory Board approve the annual financial statement, the consolidated financial statements, and the management reports of asknet AG and the asknet Group.

asknet AG's annual financial statement, the consolidated financial statements, and the management reports for the 2009 fiscal year were examined in detail by the Supervisory Board. Based on our own review of the audit, the Supervisory Board raised no objections and concurred with the audit results provided by Ernst & Young. With its resolution of March 30, 2010, the Supervisory Board of asknet AG therefore expressed its unreserved approval of the annual financial statement presented by the Executive Board in accordance with section 172 of the German Stock Corporation Act (AktG – Aktiengesetz). In addition, the Supervisory Board approved the consolidated financial statements, the asknet AG management report, and the asknet Group management report.

Composition of the Executive and Supervisory Boards

There were no changes in the composition of the Supervisory Board during the reporting year. Mr. Gerald Prior resigned from his position as Member of the Executive Board of asknet AG effective July 31, 2009. Mr. Michael Scheib was appointed as new Member of the Executive Board and CEO of asknet AG effective January 18, 2010.

The Supervisory Board of asknet AG would like to take this opportunity to thank all the company's employees and the Executive Board for their committed work and outstanding performance in the 2009 fiscal year, and wishes asknet AG every success in the 2010 fiscal year.

Karlsruhe, April 3, 2010

The Supervisory Board

Dr. Joachim Bernecker
(Chairman of the Supervisory Board)

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