



Accelerate your eSales in the Digital Marketplace.

Half Year Report 2010

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Letter to Shareholders

Dear Shareholders,

“If you want to sell something, you need to speak the language...”

was the conclusion of Gabriel Garcia Marquez, Columbian author and Nobel Prize Laureate. It would be hard to come up with a more concise formulation of uncompromising customer service. asknet lives up to this ideal – both literally, with shop and service languages, and figuratively, with the quality of our products and services. And this has paid off. EBT improved by 33% compared to the reference period, gross profits have risen each quarter, with growth averaging around 11% over the entire first half of the year.

Positive developments are also evident in our ePortals business unit, which saw a year-on-year decline in sales in 2009 and which seemed to offer only modest potential for growth. After all, asknet has been the market leader for academic software portals in Germany for years, which of course sets natural limits on the amount of growth that is

possible. However, expanding into the Swiss market has opened up new perspectives for this division. We are close to finalizing new contracts with several institutions of higher learning in Switzerland, and therefore anticipate a double-digit percentage increase in gross profits in the ePortals business unit. The new ePortals accounts testify to the success of our functional redistribution. Inside Sales is now part of the ePortals organizational unit, offering customers direct contact partners who focus exclusively on academic institutions.

In the eDistribution business unit, we have also made changes to the sales organization in order to sharpen the focus on new business. With stringent cost awareness showing positive effects, acquiring new accounts remains the highest priority within both of these business segments. After all, only an increase in new business will allow asknet to reap the full benefits of our scalable business model.

This only underlines the importance of a strong sales organization. To better cater to the needs of different regions, we have structured sales according to geographical area. Instead of departments to handle sales and account management on an international level, one team now looks after EMEA and APAC and another, North America. We are currently ramping up our presence in the US market because the majority of software vendors – our potential customers – are US firms. Since the end of April 2010, Mark Bégin, the new president of our US subsidiary asknet Inc., has taken on a key function in our US market strategy. During his years as our vice president for global account management, Mark Bégin built intensive partnerships with asknet's customers; he knows the ins and outs of the US eCommerce market.

The eCommerce market in Brazil, Russia, India, and China (BRIC) is less well known to most software vendors, but is nevertheless of vital importance. asknet has been performing in-depth analyses of this market since 2009 and can support software vendors looking to expand here – thanks, for example, to our partnership with Alipay, the most popular online payment system in China. Alipay not only processes payments but also offers vendors marketing campaigns that are tailored to the Chinese market. Since payment methods are of such importance to the success of an online shop, we have established a "Payments" position in our organization to keep pace with our constantly growing internationalization.

And in the context of this internationalization, we are especially pleased that as the first half of 2010 draws to a close, we are able to announce new

accounts with internationally active software vendors. iS3, a Florida-based provider of security software, is moving away from its in-house solution and outsourcing a significant portion of its business operations to asknet. The iS3 account represents a twofold victory over the competition: first, asknet came out ahead of competitors from the USA despite their home-field advantage; and second, iS3 selected asknet over an important European competitor.

NORMAN ASA, international market leader for proactive content security solutions and forensic malware tools, has also decided to partner with asknet instead of one of our major competitors. Based in Oslo, Norway, NORMAN ASA has been active in the market since 1984.

To come back to our starting point - if you want to sell something, you need to speak the language. However, there is more to the quotation: "But if you want to buy something, everyone understands you." In every online shop, asknet makes sure this is actually the case. Not only in terms of the language, but the wishes of international end customers as well. This focus on the customer – which carries through to our internal organization – is what lets us win over software vendors around the world. And it is what puts us in the best possible position for international expansion.

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

Business Developments

Results of operations

In the first half of 2010, the asknet Group generated sales revenues of 34.2 million euros; the first quarter figure was 16.2 million euros and the second quarter figure was 18.0 million euros.

Here it should be noted that a portion of the sales volumes were transacted through service provider contracts. When asknet acts as a service provider, only the service fees rather than the actual sales 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. Here, asknet has shown constant growth – from 4,516,000 euros in the first half of 2009 to 4,997,000 euros in the reporting period.

A positive gross profit dynamic was apparent, with a rise of six percent in the first quarter of 2010 compared to the same quarter of the previous year and 16 percent growth from April to June. This resulted in average gross profit growth of 11 percent for the first half of the year.

Although the dynamic of asknet's operating results has slowed somewhat, we are still able to report double-digit percentage gains. In the first half of 2010, the company's losses totaled 591,000 euros, which compared to the same period of 2009 represented a decrease of 291,000 euros or 33 percent.

Net assets and financial position

As of June 30, 2010, liquidity was 6.3 million euros. The company's equity sank from 5.0 million euros at the end of 2009 to 4.4 million at the end of the reporting period. The equity ratio was therefore a solid 34 percent as of June 30, 2010.

The company's operative cash flow was negative at -1.6 million euros, which can primarily be attributed to the operating loss.

Employees

asknet is currently restructuring our sales organization to optimize sales in the regional markets. In order to strengthen our subsidiary in the USA and more effectively target potential new customers, an additional position was created at asknet Inc. during the reporting period. In other cases, asknet is stepping up our cooperation with high-caliber professional service providers, e.g. a US PR agency. As of June 30, the asknet Group employed 100 personnel. Of these, in the first six months of 2010 we had 90 employees at asknet AG and 10 at our subsidiary asknet Inc. in the USA and asknet K.K. in Japan. Taken together with the Executive Board, trainees, and temporary employees, this totals 128 personnel employed by the asknet company as of June 30, 2010.

Growth and outlook

Following the successful application of necessary consolidation and restructuring measures in the past, asknet has now turned to our next strategic goal of achieving the growth required to exploit the full potential of our scalable business model.

With this in mind, in the first half of 2010 asknet worked to solidify our reputation as a full-service provider, offering software vendors more than just the outsourcing of their shops. As software vendors move toward international expansion, asknet not only serves as a competent advisor, but also offers them easy access to the services that are most successful in each region.

One example of this can be seen in our partnership with Alipay, the most popular online payment system in China, which was finalized in the first quarter of 2010. Alipay is a partner to the country's five most important national banks, including the Bank of China, and more than 40 additional major local banks. Most importantly, Alipay offers the end customer an alternative to paying online by credit card, a method that is unpopular in China. When shopping online, the mode of payment is extremely important to the satisfaction of the end customer; in fact, it is a contributing factor to the success of the entire shop. This makes it all the more advantageous for software vendors to have a constant contact partner such as asknet, who has access to the services of providers like Alipay – the vendors no longer have to enter into regional partnerships themselves. The same applies to Klarna AB, a Swedish financial services institute that has also been an asknet partner since the first quarter of 2010.

And the acquisition of new customers such as iS3 is further proof of the success of asknet's international approach. After a pitch with well-known competitors, this Florida-based vendor chose to outsource a significant portion of its online business operations to our company rather than to a US shop operator. This is a very positive signal for asknet's competitiveness in this highly attractive market – after all, the significant majority of software vendors are located in the USA.

Now our company must continue to strengthen our international sales organization in order to make asknet's full range of services even better known – leading to more new account acquisitions.

Markets and Environment

At the end of the first half of 2010, differing and often contradictory prognoses on the overall state of the economy abound. After a survey of bank managers, the professional services firm Ernst & Young reported that in the credit markets, the unresolved euro-zone debt crisis is seen as a sword of Damocles hanging over the economic recovery. Other economists contradict this view and warn of excessive pessimism. Wolfgang Schäuble, Germany's Minister of Finance, recently said that the German economy could grow by two percent in 2010, a statement that was dismissed by journalists as "economic euphoria."

However, there is agreement on the positive developments in the eCommerce segment. The German eCommerce and Distance Selling Trade Association predicts that online sales among German distance sellers will rise to 17.8 billion euros in 2010 – representing growth of 15 percent. Furthermore, digitally transacted services such as downloads generated sales of 6.5 billion euros. These figures underline the steady growth in the percentage of distance selling that is carried out online.

And even the German government's austerity package contained good news for asknet's ePortals division. Despite the overall budgetary constraints, spending on research and development is set to increase by 7.2 percent to 11.6 million euros.

On an international level, Gartner analysts project a 5.1 percent increase in spending on software. The software market has been significantly less affected by the recession than other segments of the IT industry such as IT services and computing hardware. Even in these segments, however,

Gartner sees positive signals in 2010 – for example the unseasonably high demand for hardware in the first three months of the year.

asknet's clients, vendors of software, will be particularly interested in other trends identified by Gartner, such as demand on the infrastructure market – every type of software that is used in establishing, operating, and managing a company. Virtualization, security, data integration/data quality, and business intelligence programs are the bestsellers of the software market.

Gartner also sees mobile applications having a strong market impact and agrees with the prognosis given by Morgan Stanley, which predicts that in five years, the mobile Internet will have more users than the classic desktop Internet. Many analysts view mobile Internet as the next decisive cycle in the IT industry. This is supported by the dramatic rise in mobile eCommerce sales. According to projections made by analysts from ABI Research at the end of October 2009, mobile eCommerce sales will cross the one-billion threshold in 2010. In this important market, smartphone users were surveyed on their experience with mobile apps in late 2009, allowing asknet to gain valuable insights about what factors make apps successful. In their responses, end customers identified insufficient technical maturity of the solution as an obstacle. To help software vendors avoid such snares, asknet has developed Mobile Shopping Cart specifically for mobile Internet use – a technologically mature, extremely easy-to-use mobile shopping solution for smartphones.

Whether they shop online using mobile or desktop Internet, the number of users around the world is growing. According to research conducted by Morgan Stanley, in 2009 there were already 1.8 billion people online, with 48 percent of all Internet users coming from five countries: USA, Brazil, China, Russia, and India. The four latter countries represent 40 percent of the world's population, but in 2009 they only made up 13 percent of total global sales in the information and communication technology segment. Accordingly, there are high growth expectations for these BRIC nations. In October 2009, India and China saw an almost double-digit increase in sales compared to September 2008.

This last point once again underscores the auspicious signs for international eCommerce – growth rates differ by region, but are positive around the world. Rather than spending time and money developing and operating an in-house solution, sellers who wish to profit from this growth find it highly attractive to choose a ready-to-use shop solution – from a provider that opens up international markets, takes into account regional differences such as payment methods, and consistently provides customer-oriented service. A provider that constantly monitors market developments and is therefore able to serve as a consultant whenever the company plans to expand, offering expertise that comes from many years of experience in eCommerce.

asknet is precisely this kind of provider. And therefore in an excellent position going forward.

Financial Statement

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Consolidated Balance Sheet

as of June 30, 2010

ASSETS	Jun. 30, 2010	Dec. 31, 2009
	in €	in €
A. FIXED ASSETS		
I. Intangible fixed assets		
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	55.133,52	65.871,58
II. Tangible fixed assets		
Other equipment, operating and office equipment	207.301,44	183.585,89
III. Long-term financial assets		
Shares in associates	0	0
	262.434,96	249.457,47
B. CURRENT ASSETS		
I. Inventories		
Merchandise	204.751,68	192.991,93
II. Receivables and other assets		
1. Trade receivables	5.473.503,74	4.559.647,23
3. Other assets	388.603,92	277.264,55
	5.862.107,66	4.836.911,78
III. Cash-in-hand, central bank balances, bank balances, cheques	6.325.642,58	7.960.498,27
	12.392.501,92	12.990.401,98
C. PREPAID EXPENSES	242.173,93	184.386,53
	12.897.110,81	13.424.245,98

EQUITY AND LIABILITIES

Jun. 30, 2010 Dec. 31, 2009
 in € in €

A. EQUITY

I. Subscribed capital	5.040.000,00	5.040.000,00
II. Capital reserves	35.976,56	35.976,56
III. Currency translation differences	76.565,46	57.012,66
IV. Consolidated net accumulated losses	-726.441,95	-135.068,28
	4.426.100,07	4.997.920,94

B. PROVISIONS

I. Other provisions	1.381.065,87	1.404.162,89
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C. LIABILITIES

1. Trade payables	6.347.262,65	6.324.677,94
2. Other liabilities	691.119,72	648.796,71
	7.038.382,37	6.973.474,65

D. DEFERRED INCOME

	51.562,50	48.687,50
	12.897.110,81	13.424.245,98

Consolidated Income Statement

as of June 30, 2010

	Jun. 30, 2010	Jun. 30, 2009
	in €	in €
1. Sales	34.195.080,93	33.647.174,70
2. Other operating income	163.803,82	382.679,36
	34.358.884,75	34.029.854,06
3. Cost of materials		
a) Cost of purchased merchandise	-29.197.682,98	-29.131.275,66
b) Cost of purchased services	-131.796,71	-103.428,97
4. Personnel expenses		
a) Wages and salaries	-2.590.500,42	-2.493.918,54
b) Social security, post-employment and other employee benefit costs	-365.463,40	-379.964,91
5. Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	-61.108,91	-77.259,10
6. Other operating expenses	-2.629.906,76	-2.764.138,55
	-34.976.459,18	-34.949.985,73
7. Interest and similar income	42.938,91	55.673,64
8. Expenses from shares in associates	0	0
9. Interest and similar expenses	-673,02	-2.814,50
	42.265,89	52.859,14
10. Result from ordinary activities	-575.308,54	-867.272,53
11. Other taxes	-16.065,13	-15.416,56
12. Consolidated net loss for the year	-591.373,67	-882.689,09
13. Accumulated losses brought forward	-135.068,28	-227.261,23
14. Withdrawals from capital reserves	0	0
15. Consolidated net accumulated losses	-726.441,95	-1.109.950,32

Consolidated Cash Flow Statement

as of June 30, 2010

	Jun. 30, 2010	Jun. 30, 2009
	in € thousands	in € thousands
1. Cash flows from operating activities		
Consolidated net loss for the year before interest paid	-590	-880
Interest paid	-1	-3
Consolidated net loss	-591	-883
Depreciation, amortization and write-downs	61	77
Loss on disposal of fixed assets	0	1
Gain(-) on disposal of fixed assets	-106	0
Loss (+) on disposal of fixed assets	106	0
Increase (+) / decrease (-) in provisions	-27	160
Increase (-) / decrease (+) in receivables and other assets	-1.064	84
Increase in liabilities	-1	-95
	-1.622	-657
2. Cash flows from investing activities		
Payments of disposable fixed assets	106	77
Purchase of intangible fixed assets	-3	-24
Purchase of tangible fixed assets	-172	-30
	-69	23
3. Cash funds at end of period		
Net change in cash funds (subtotal 1 – 3)	-1.691	-634
Effect on cash funds of exchange rate movements	57	-17
Cash funds at beginning of period	7.960	8.181
	6.326	7.530
4. Components of cash funds		
Cash	6.326	7.530
Cash funds at end of period	6.326	7.530

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