Accelerate your eSales in the Digital Marketplace.

Half Year Report 2012

Content

Letter to our Shareholders

Dear Shareholders,

We closed the end of the first half of the year with a strong second quarter. In the period from April to June 2012 we returned to a growth path: Our sales, gross profits and operating result all improved, recording what was almost a balanced quarterly result.

The positive development of our eDistribution segment was very pleasing. Our new customer CyberLink in particular met all our expectations. We have been operating the global online shop for the international provider of multimedia solutions from Taiwan since the end of March. Expanding our customer service capacities also allowed us to strengthen our presence on the Asian market and improve our overall competitive position. The first half of the year remained challenging for our ePortals segment on account of the postponement of planned new customer projects to later quarters and weaker sales of products from major software partners compared with the first half of 2011. However, by extending the Adobe Download depots and continued expansion of our software portals into other German-speaking countries, we have created favorable growth prospects for our second pillar.

The effects of streamlining our organizational structures, which was completed last year, have already impacted the reporting period, resulting in a sustained drop in operating costs. Consequently, our operating result improved significantly year on year in the first half of 2012, although the figure itself was still slightly in the red. In light of the good general conditions in the industry, we are confident that we will improve our operating result and break even for the full year, as forecasted for 2012.

We would like to welcome you, dear shareholders, to accompany asknet AG along its path and thank you for placing your trust in us.

Sincerely,

The Executive Board of asknet AG

Michael Konrad

Dr. Dietmar Waudig

Business Developments

Results of operations

In the first half of 2012, the asknet Group generated sales revenues of 33.45 million euros, of which 23.94 million euros came from the eDistribution segment and 9.51 million euros from ePortals. The whole Group saw sales rise by 2.8 percent or 0.9 million euros year on year. When looking at sales, it must be taken into consideration that part of these sales in the eDistribution segment were concluded via service provider agreements. These agreements mean that only the service fee is recorded as sales in asknet's income statement.

asknet Group's gross profits declined by 0.28 million euros year on year to 4.71 million euros, of which 3.50 million euros came from the eDistribution segment and 1.21 million euros from ePortals. asknet Group's operating result (EBIT) was -0.09 million, a significant improvement on the first half of the previous year, mainly due to the streamlining of the organizational structure. Earnings before taxes (EBT) came to – 0.07 million euros. After interest and taxes, asknet made a slight loss in the first half of the year of 0.09 million euros.

asknet Group generated approximately 68 percent of transaction revenues abroad during the reporting period, with the USA being the largest market after Germany at 16 percent.

Net assets and financial position

Liquid assets amounted to 5.15 million euros on the reporting date June 30, 2012. Total equity dropped slightly from 3.55 million euros at the end of 2011 to 3.46 million at the end of the reporting period, corresponding to an equity ratio of 32 percent as of June 30, 2012.

Consolidated cash flows from operating activities in the first half of 2012 were negative at – 0.91 million euros, which is mainly due to temporary changes in working capital and minor operating losses.

Employees

As of the reporting date June 30, 2012, asknet Group employed 90 people, including the Executive Board. 85 worked at asknet AG and 5 at the subsidiaries asknet Inc., USA, and asknet K.K., Japan. When trainees and temporary employees are included in the figure, as of June 30, 2012, asknet Group had 106 employees.

Growth and outlook

Business developments at asknet AG were positive in the second quarter of 2012. The company saw considerable year-on-year improvements in sales revenues, gross profits and operating results, recording what was almost a balanced quarterly result. However, for the first half of 2012 asknet recorded a slight drop in gross profits due to a weaker business performance in the first three months as well as a lower share of project sales and a small change in the customer/product portfolio. Conversely, the operating result rose considerably compared to the first six months of 2011, although the figure itself was still slightly in the red. The effects of streamlining the organizational structures, which was completed last year, have already impacted the first half of 2012, resulting in a sustained drop in operating costs.

eDistribution again developed satisfactorily in the second quarter, following a weak start to the year. Gross profits in the first half of the year were on par with the previous year. In particular CyberLink Corp., the new international major customer, for whom asknet has been operating the global online shop since the end of March, has met all expectations. The company has expanded its customer service capacities for the provider of multimedia solutions from Taiwan and now offers besides Japanese and Chinese also Korean customer service, allowing the company to consolidate its presence on the Asian market and improve its overall competitive position. Furthermore, asknet has realized the switchover from a traditional license model to a subscription model for customer visionapp, a global IT provider of cloud solutions, which has been trading under the name of ASG since it was taken over by Allen Systems Group, an American group. This model means that subscriptions are not only sold directly to end customers, but also via resellers who are incorporated intelligently into the entire subscription process.

ePortals recorded a drop in the first half of the year. Gross profits were down 0.23 million euros year on year in the reporting period on account of the postponement of planned new customer projects to later quarters and weaker sales of products from major software partners compared with the first half of 2011. However, the segment profited from the launch of Adobe's Creative Suite 6 in May. asknet also serves the American software company as a technology and fulfillment partner for Adobe software downloads from online shops for universities in Germany, Austria and Switzerland. The asknet download depot has already been implemented on the portals of some well-known universities, including those in Berlin, Karlsruhe, Wurzburg, Basel, Berne, Geneva, Lausanne and Zurich, with more to follow in the coming months. Since the beginning of May, the company has also been offering colleges and universities Microsoft licenses at conditions laid down in a five-year agreement (the so-called "Bundesvertrag") between Microsoft and the Leibniz Supercomputing Centre (German: Leibniz-Rechenzentrum) in Munich. asknet has also won the bid for the Microsoft Campus Agreement for universities in Baden-Wuerttemberg, making it the trading partner for the orders organized through the University of Tübingen. All state-accredited universities in Baden-Wuerttemberg are eligible.

The company continues to operate in an intact growth market with software and eCommerce services as the core elements of its business model. The trend to supplement and substitute stationary trade in the software market through online direct sales continues. In addition to expanding and constantly improving its product and services portfolio, asknet clearly focuses on continuously improving results and achieving sustainable profitability. At the annual general meeting on July 6, 2012, the shareholders present acknowledged the successful lowering of structure costs in the 2011 fiscal year to steadily improve performance, passing a vote of confidence in the Executive Board and Supervisory Board with a clear majority. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Karlsruhe, was selected to audit the financial statements and the consolidated financial statements for the 2012 fiscal year.

In light of the good general conditions in the sector, the company remains confident that it will improve its operating result and reach break-even for the full year as forecasted for 2012.

Market Development

The global economy has been experiencing a period of moderate growth since summer 2011. This period continues despite an overall positive first quarter of 2012. Analysts agree in their current economic forecasts that a repeated escalation of the European debt crisis is proving to be the biggest obstacle to growth today for the global economy.

In its recently published forecast for the full year 2012, the International Monetary Fund (IMF) expects global gross domestic product (GDP) growth of 3.5 percent. Developing and emerging markets remain the growth drivers with expected GDP growth of 5.6 percent. This group of countries is led by China and India, whose economies are expected to grow this year by as much as 8.0 percent and 6.1 percent respectively. The IMF forecast for Brazil, whose economy is expected to grow by only 2.5 percent in the full year 2012, shows that momentum in the developing and emerging markets has slowed down. The Chinese economy has also lost momentum. After growing by an average 10.5 percent between 2001 and 2010, the country's economic growth has now cooled for the sixth quarter in a row. At 7.7 percent GDP growth in the second quarter of 2012, China has fallen below the 8 percent mark, which is a key figure for keeping its more than 1.3 billion citizens employed.

Industrialized nations' economic performance will only grow by 1.4 percent this year compared to 1.6 percent in the prior year, according to the IMF's estimates. The eurozone is expected to see a slight decrease of 0.3 percent. The forecasts for Japan (+2.4 percent) and the USA (+2.0 percent) are comparatively positive. Despite the negative developments in many countries within the eurozone, Germany continues to profit from pro-growth factors such as rising private consumer spending and low interest rates. The German economy grew by 0.6 percent in the first quarter of 2012, according to calculations by the Kiel Institute for the World Economy (Kieler Institut für Weltwirtschaft – IfW). The IfW expects another 0.6 percent rise in the second quarter. Due to the economic risks created by the euro crisis, which remain high, individual research organizations' full-year forecasts for Germany differ significantly. While Munich's Ifo Institut anticipates a 0.7 percent rise in 2012, the IfW Kiel and the IMF expect growth of 0.9 percent and 1.0 percent respectively. The 2013 forecast comes in at between 1.3 percent and 1.7 percent. The eurozone is expected to grow only slightly by 0.7 percent. According to the IMF, the global economy will grow by 3.9 percent in the coming year, with growth amounting to 5.9 percent in developing and emerging markets and 1.9 percent in industrialized nations.

The global information and communication technology (ICT) market also continues to grow. Global sector sales in 2012 will increase by 5.1 percent to 2.57 trillion euros, according to estimates by analysts at the European Information Technology Observatory (EITO). Emerging markets will already account for 27 percent of global ICT demand this year. Their share will rise to almost half of the sector by 2020. The Chinese market alone is expected to grow by around 12 percent this year to 220 billion euros and will overtake Japan as the second-largest ICT market in the world. With a market share of around 28 percent, the USA remains the largest ICT market. Western Europe recorded the lowest ICT growth in 2012 on account of general economic turbulence. Sales are set to rise in this region by only 1.2 percent to 617 billion euros. Growth of 1.4 percent is predicted for 2013.

The market research organization IDC forecasts global software sector growth of 6 percent in 2012. In Europe, Africa and the Middle East, performance will be weaker than in prior years at 3.8 percent. Asia remains the strongest growth market, accounting for 16.5 percent of global software sales. According to the industry association BITKOM, the German software market will reach 16.9 billion euros in 2012, corresponding to an increase of 4.4 percent. A BITKOM industry survey in June supports this positive forecast; 73 percent of ICT providers told in this survey they expect rising sales for the full year 2012.

According to a study by the Society for Consumer Research (Gesellschaft für Konsumforschung – GfK), 41 million Germans aged between 14 and 69 bought goods or services online last year. The German Retail Federation (Handelsverband Deutschland – HDE) expects total online sales to rise by 13 percent to 29.5 million euros. The increasing digitalization of our daily lives is also changing the structure of the software market. The percentage of Software as a Service (SaaS) services and products in global software sales will increase from 7 percent in 2010 to 17 percent in 2013, according to information provided by the market research organization Forrester Research. These figures also implicate that despite the growing importance of cloud computing solutions such as SaaS, traditional software distribution (physical or download), especially for business software and related services, will retain the lion's share of the market.

Financial Statements

Consolidated Balance Sheet

as of June 30

ASSETS		June 30, 2012 in €	December 31, 2011 in €
A.	**FIXED ASSETS**		
I.	Intangible fixed assets		
	Concessions, industrial and similar rights and assets, and licenses in such rights and assets	15,726.06	18,115.85
II.	Tangible fixed assets		
	Other equipment, operating and office equipment	174,360.58	211,183.55
		190,086.64	**229,299.40**
B.	**CURRENT ASSETS**		
I.	Inventories		
	Merchandise	229,206.32	128,811.66
II.	Receivables and other assets		
1.	Trade receivables	4,863,571.28	4,811,343.77
2.	Other assets	152,903.80	311,823.06
		5,016,475.08	**5,123,166.83**
III.	Cash-in-hand, bank balances, cheques	5,152,585.25	6,081,117.67
		10,398,266.65	**11,333,096.16**
C.	**PREPAID EXPENSES**	174,865.56	138,105.97
		10,763,218.85	**11,700,501.53**

EQUITY AND LIABILITIES		June 30, 2012 in €	December 31, 2011 in €
A.	**EQUITY**		
I.	Subscribed capital		
	Contingent capital € 495,717.00 (previous year: € 496 thousand)	5,044,283.00	5,044,283.00
II.	Currency translation differences	95,182.73	92,272.93
III.	Consolidated net accumulated losses	– 1,677,402.53	– 1,590,263.36
		3,462,063.20	**3,546,292.57**
B.	**PROVISIONS**		
I.	Other provisions	1,600,727.88	1,187,026.66
C.	**LIABILITIES**		
1.	Trade payables	4,430,518.08	6,230,573.11
2.	Other liabilities of which on taxes: € 657,210.54 (previous year: € 412 thousand) of which on social security: € 6,045.47 (previous year: € 6 thousand)	1,166,494.29	611,293.42
		5,597,012.37	**6,841,866.53**
D.	**DEFERRED INCOME**	103,415.40	125,315.77
		10,763,218.85	**11,700,501.53**

Consolidated Income Statement

January 1 to June 30

		2012 in €	2011 in €
1.	Sales	33,453,534.37	32,545,686.64
2.	Other operating income	130,354.92	141,657.41
		33,583,889.29	**32,687,344.05**
3.	Cost of materials		
	a) Cost of purchased merchandise	– 28,739,590.93	– 27,557,508.30
	b) Cost of purchased services	– 116,302.96	– 119,408.22
4.	Personnel expenses		
	a) Wages and salaries	– 2,137,132.79	– 2,956,092.11
	b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions: € 1,160.09 (previous year: € 1 thousand)	– 337,702.49	– 365,249.65
5.	Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	– 61,290.42	– 71,324.54
6.	Other operating expenses	– 2,278,878.18	– 2,646,729.84
		– 33,670,897.77	**– 33,716,312.66**
7.	Interest and similar income	14,194.67	24,766.41
8.	Interest and similar expenses	– 299.34	– 763,355.17
		13,895.33	**– 738,588.76**
9.	Result from ordinary activities	– 73,113.15	– 1,767,557.37
10.	Other taxes	– 14,026.02	– 5,730.52
11.	Consolidated net loss for the year	– 87,139.17	– 1,773,287.89
12.	Accumulated losses brought forward	– 1,590,263.36	– 714,380.58
13.	Withdrawals from capital reserves	0.00	0.00
14.	Consolidated net accumulated losses	**– 1,677,402.53**	**– 2,487,668.47**

Consolidated Cash Flow Statement

January 1 to June 30

		2012 in € thousands	2011 in € thousands
1.	**Cash flows from operating activities**		
	Consolidated net loss for the year before interest	– 87	– 1,010
	Interest expense	0	– 763
	Consolidated net loss	**– 87**	**– 1,773**
	Depreciation, amortization and write-downs	64	71
	Profit on disposal of fixed assets	0	0
	Loss on disposal of fixed assets	0	0
	Increase (+) / Decrease (–) in provisions	414	782
	Increase (–) / Decrease (+) in receivables and other assets	– 30	668
	Increase (+) / Decrease (–) in liabilities	– 1,267	– 2,874
	Exchange-related change in inventories	2	1
		– 905	**–3,125**
2.	**Cash flows from investing activities**		
	Purchase of intangible fixed assets	0	– 1
	Purchase of tangible fixed assets	– 24	– 28
	Proceeds from the sale of financial assets	0	0
		– 24	**– 29**
3.	**Cash flows from financing activities**		
	Payments from allocations to equity	0	0
		0	**0**
4.	**Cash funds at end of period**		
	Net change in cash funds (subtotal 1 – 3)	– 929	– 3,154
	Effect on cash funds of exchange rate movements	1	– 28
	Cash funds at beginning of period	6,081	8,821
		5,153	**5,639**
5.	**Components of cash funds**		
	Cash	5,153	5,639
	Cash funds at end of period	**5,153**	**5,639**

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Photos
Photo archive asknet AG

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