



Accelerate your eSales in the Digital Marketplace.

# Half Year Report 2009

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## Letter to Shareholders

# Dear Shareholders,

“Slow and steady wins the race”,

as the saying goes. This seemingly simple phrase expresses an important idea: with a clear strategy, consistently applied, even the most challenging goals can be achieved. And in times of global financial crisis, improving our own financial results, quarter by quarter, is a true challenge. However, as our current financial figures prove, it is an achievable one. In the first quarter of 2009 we were able to report that our losses had decreased to 389 thousand euros, whereas in the same quarter of the previous year we had losses of 879 thousand euros. At the same time our gross profit margin rose to 13.4% during the first quarter, compared to 12.2% the previous year; gross profits increased by 4%. The positive trend continued in the second quarter. This represented a decrease in our deficit from 1.8 million euros in the first half year of 2008 to 0.9 million euros – despite sales that were being negatively impacted by the poor economy.

The 56% improvement in the company's results in the first quarter of 2009 was, to put it mildly, an exception among the financial figures published by companies across various sectors. In its June 12, 2009 edition, the German business newspaper Handelsblatt described the situation facing the 100 largest publically traded industrial, commercial, and service corporations in Germany under the headline “Companies tilt off-balance.” In comparison with the results from the same quarter of the previous year, only two of the companies showed stronger growth than asknet, which was not listed. The logical conclusion that the Handelsblatt drew from its analysis: “Costs must be cut.”

For asknet, this statement only expresses what has been a consistent aspect of our strategy for years. We keep the structural costs low, and any decreases in sales are balanced out by the scalability of the business model. As the development of our business shows, asknet has

long since moved beyond the investment phase and is now profiting from the measures undertaken in recent years. And this all the more because these are not one-time effects. Structural measures in 2008 resulted in a reduction of personnel costs – even though there has been a steady increase in the services we provide. Positive examples include service contracts for leases, which have been renegotiated, and the high quality of our account management. Standardized processes for cooperation between asknet and software publishers allow us to fulfill the publishers' demands quickly and at a consistently high level of quality. After all, in these times of crisis software publishers are depending on their online shops to attract and retain end customers. The American market research firm eMarketer sees opportunities for online retailers despite the "current economic low point" – if their web shops offer "outstanding service, solid product information, and a high level of convenience" for purchasers. According to eMarketer, this will improve the chances of retaining new customers in the long term.

asknet's online shops fulfill all three of the quality criteria named by eMarketer. This is one of the reasons why more and more software publishers have become asknet clients. The latest example is EskoArtwork, a provider of innovative solutions for design, production, communication, and management within the packaging and printing supply chain. In the future EskoArtwork will be relying on asknet for its online sales. asknet has replaced the company's in-house solution and an eShop that was operated by one of our competitors. Another new customer who has

been won over by asknet's online shops is GridIron Software, a Canadian provider of workflow and performance tools. 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.

Just as it is essential for us to attract new customers, our existing customer relationships are extremely important. It is and remains our goal to continually develop our key accounts. This is the case, for example, with our large strategic customer Panda Security, for whom asknet has now taken on the lion's share of its online sales worldwide. Further, asknet was able to expand its market leader position as procurement portal for universities with the latest educational customer, the University of Applied Sciences Bielefeld.

Results that have risen significantly despite the crisis, interesting new customers, expansion of key accounts, and 15th place in a ranking of future world leaders – what could be more motivating as we continue to pursue our strategy of boosting our performance, quarter by quarter?

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

Sincerely,

The Executive Board of asknet AG

*Results that have risen significantly despite the crisis, interesting new customers, expansion of key accounts, and 15th place in a ranking of future world leaders – what could be more motivating as we continue to pursue our strategy of boosting our performance, quarter by quarter?*



Gerald Prior



Dr. Dietmar Waudig



Michael Konrad

# Business Developments

## Results of operations

In the first half of 2009, the asknet Group generated sales revenues of 33.6 million euros; the first quarter figure was 17.6 million euros and the second quarter figure was 16 million euros. Compared to the first half of 2008, this represents a slight decrease in sales, which reached 2.6 million euros – 7% lower than sales in the first six months of 2008.

However, these sales figures are influenced by the fact that asknet acts as a service provider for one of our major strategic partners rather than as a seller of software. This means that only the margins of the transactions are accounted as sales. Our increasing sales with this large customer are therefore not reflected in the above figures.

Despite the continuing global recession, asknet can report steady gross profits and growth in gross profit margins in the first half of 2009, marking the start of a rebound in margins. As the margins rose, a long-term comparison shows operating costs sinking in relation to sales – over the course of 2008 operating costs averaged 16.3 % of sales, whereas in the first half of 2009 the figure was only 14.3 %.

There has also been a massive reduction in losses. In the first quarter of 2008, asknet posted losses of 879 thousand euros; in the same quarter of 2009, losses decreased to 395 thousand euros. Losses were 883 thousand euros in the first half of 2009, a reduction of 891 thousand euros compared to the same period of 2008.

The international position of the Group is reflected in the fact that 61.5% of sales were generated outside of Germany; the American market represented 23.9 % of sales.

## Net assets and financial position

As of June 30, 2009, liquidity was 7.5 million euros. The company's equity sank from 6.2 million euros at the end of 2008 to 5.3 million at the end of the reporting period. The equity ratio was therefore a solid 39 % as of June 30, 2009.

The company's operative cash flow was negative at -0.7 million euros, which can primarily be attributed to the operating loss.

## Employees

Despite the global recession, asknet has succeeded in significantly improving our business results and reducing the asknet Group's losses in the reporting period. Internal restructuring and a slightly lower number of employees have cut down on personnel costs. As of June 30, the asknet company employed 96 personnel, excluding trainees and temporary employees; in the first half of 2008 the number was 103. In the reporting period we had 89 employees at asknet AG and 5 at our subsidiary asknet Inc. in the USA. asknet K.K., our Japanese subsidiary, employed a staff of 2 as of the reporting date. Taken together with the Executive Board, trainees, and temporary employees, this totals 120 personnel employed by the asknet company as of June 30, 2009. At the same point of 2008, we employed a staff of 130.

## Growth and outlook

Improving our results by 50% in the midst of the recession represents a triumph of long-term strategic planning. In 2008, a year of consolidation, asknet charted a course for future growth. We optimized our structural costs, signed on important new (large) customers such as Panda Security, CollabNet, and Steinberg, and carried

forward our scalable business model, which handles a greater number of transactions with fewer personnel.

Now, in the first half of 2009, the previous year's measures have begun to bear fruit and generate higher margins with sinking operating costs. The sustained increase in the number of transactions shows that the online market remains an attractive sales channel even in times of economic crisis. More than ever before, the advantages of online sales through one's own website have been made apparent to software publishers. By operating their shops, asknet offers these publishers the opportunity to profit from all the benefits of eCommerce without having to construct and run the sites themselves. And these benefits are not insignificant: higher margins, improved customer relationships, a shorter time to market, the internationalization of the business field, access to locally adapted markets, and, last but not least, a reduction in costs and risks thanks to standardization and automation.

The attractiveness of our portfolio of services is proven by the fact that companies such as BizAgi, GridIron, and EskoArtwork decided to become asknet clients. A competitor of asknet used to operate EskoArtWork's eShop, but the company has since been won over by asknet's range of services.

It is to be expected that eCommerce will suffer small setbacks in all relevant regions in 2009, i.e. in North America, Western Europe, and the Asia-

Pacific region. However, eCommerce growth rates should recover much more quickly than those in traditional commerce. This means that online sales of software will remain a highly profitable distribution channel of central importance for future growth.

In asknet's favor: new customer accounts and positive growth within important existing accounts.

Customer growth, reduction of structural costs, strongly improved results – asknet is well positioned to significantly improve our performance in 2009.

*Improving our results by 50% in the midst of the recession represents a triumph of long-term strategic planning.*

## Markets and Environment

“German companies are falling back to the level of previous crisis years,” was the analysis of the German business newspaper Handelsblatt in its report from June 12, 2009 – also mentioned in our letter to the shareholders – on the 100 largest publically traded industrial, commercial, and service corporations in Germany. Most of these companies are active internationally and are suffering from the fact that the current crisis has affected all of the world’s industrialized nations. asknet was not included in the Handelsblatt’s analysis. However, almost 95% of asknet’s clients come from North America, Western Europe, and the Asia-Pacific region – and therefore from nations that have been affected by the downturn. We are therefore forced to examine the attractiveness of our own business model and the market in which asknet is active.

To put it briefly, the electronic software distribution (ESD) market has stood up to critical analysis, even in times of global economic crisis. However, eCommerce can hardly remain unaffected when the economy plummets to historic lows. The OECD is currently predicting a drop in gross domestic product in practically every industrialized nation. This means that the days of double-digit growth in the ESD market are at an end – for now. However, 2010 may already witness an economic recovery. The IMF (International Monetary Fund) recently forecast 2.5% growth for the world economy in 2010. Simultaneous to this recovery in the global economy, eMarketer predicts a return to double-digit growth in the ESD market – a clear indicator of the attractiveness of the online market, which is currently suffering due to the recession rather than to inherent weaknesses.

In its analysis of the market, comScore differentiates between larger ASP (Application Service Providing) items – which are coming under increasing pressure in terms of conversion rates and order volumes – and less expensive products. In the latter case, demand has remained almost unchanged. This corresponds with asknet’s own observations, according to which software in the fields of storage, back-up, and security have only seen slight decreases in transaction rates. The situation is not as positive in the case of products that do not cover the essential needs of users. Here, sensitivity to price and product size can be seen; manufactures must react accordingly, for example by offering less expensive starter versions.

Marketing researcher comScore has identified positive trends in multi-channel sales and outsourcing; retailers, brands, and manufactures would be well served by using the online channel to ramp up their name recognition and sales rates. Providers of outsourcing solutions will profit from these trends. Shifting our focus to the end customer, eMarketer has noted the tendency of online buyers to shift an ever greater proportion of their spending from conventional stores to Internet shops. The constantly growing availability of PCs, connections that keep getting faster, and the sinking costs of downloads have made more information available – and end customers are more likely to trust their own research than the sales pitch they receive in traditional stores. Online shops that offer detailed product information therefore represent an enormous potential. When these online shops offer software, they can benefit from the growing willingness to buy products on the Internet.



It makes sense to complete the purchase in the same location where the information has been obtained. In contrast to online sales of classic consumer goods, ESD puts an end to all associated logistics hassles, including shipping costs, waiting times, and the occasional necessity of picking up the product if customers are not home at the time of delivery. ESD means that the purchased product is immediately available; opening hours and delivery times are no longer a factor. To put it another way, online software sales is a means of trade that truly makes use of all the advantages of the Internet and modern data connections.

Assuming that the online shops offer a maximum of comfort, information, usability, and reliability. And this is no small order for the typical software publisher. What they need is a global presence that at the same time is adapted to country-specific requirements, languages, and payment methods. In addition, they must deal with different licensing models and services such as Software as a Subscription, test versions, worldwide customer service, and coverage of different channels such as B2C (Business to Consumer), B2B (Business to Business), mobile (purchases made using mobile devices / smartphones), OEM (Original Equipment Manufacturers), distributors ... Not to mention a high rate of availability, because if the shop is not available, no purchase can take place and the shopper will turn to a different provider – often for good.

Mastering this complexity is an expensive, time-consuming, and difficult task for the software publisher, for the simple reason that operating online stores is not part of their core business. It is

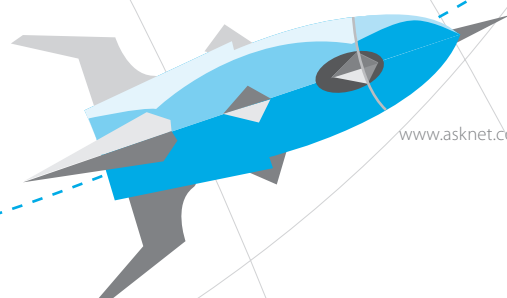
therefore highly attractive to delegate the responsibility for the online shop to an external service provider who has extensive experience and understands where the key to attracting and retaining online buyers lies: in a locally adapted, individual approach that offers outstanding service, making the online shopping experience an enjoyable one.

asknet is just such a provider. We can support software publishers with their continuously growing online channels because asknet forges a link between the publisher's brands and products that are positioned on the market and with an attractive Internet presence. This does not just mean using technology to make the shopping experience as comfortable as possible. It is just as important to have a feeling for developments in a market that is by nature volatile, as it is for the individual challenges facing each publisher. asknet closely observes the market, has incorporated numerous indicators and steering mechanisms into our shops to continuously provide the software publishers with data about the performance of their shops. For example, publishers can use this shop data to discover how loyal their customers are, which is of increasing relevance as recurring revenue communities gain in importance. This indicator represents the fact that the goal of online trade is not a one-time profit, but in generating sustainable sales revenues with returning customers. This also requires an international approach; the option for customers to act globally and to adapt the online shops to national conditions. Therefore, asknet offers its customers 30 shop languages, 38 different settlement currencies based on 24 payment and accounting methods.

*asknet observes the market closely, has incorporated numerous indicators and steering mechanisms into our shops, and continuously provides the software publishers with data about the performance of their shops.*

# Financial Statement

Financial Statement



[www.asknet.com/asknetuniverse](http://www.asknet.com/asknetuniverse)

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# Consolidated Balance Sheet

as of June 30, 2009

ASSETS	Jun. 30, 2009	Dec. 31, 2008
	in € thousands	in € thousands
<b>A. FIXED ASSETS</b>		
<b>I. Intangible fixed assets</b>		
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	94	106
<b>II. Tangible fixed assets</b>		
Other equipment, operating and office equipment	135	144
<b>III. Long-term financial assets</b>		
Shares in associates	0	77
	229	326
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
Merchandise	254	312
<b>II. Receivables and other assets</b>		
1. Trade receivables	4,856	4,965
2. Receivables from associates	406	339
3. Other assets	339	11
	5,261	5,305
<b>III. Cash-in-hand, central bank balances, bank balances, cheques</b>	7,530	8,181
	13,045	13,798
<b>C. PREPAID EXPENSES</b>	245	230
	13,519	14,354

## EQUITY AND LIABILITIES

Jun. 30, 2009 Dec. 31, 2008

in € thousands in € thousands

## A. EQUITY

I. Subscribed capital	5,040	5,040
II. Capital reserves	1,276	1,276
III. Currency translation differences	53	61
IV. Consolidated net accumulated losses	-1,110	-227
	5,259	6,150

## B. PROVISIONS

I. Other provisions	1,441	1,282
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## C. LIABILITIES

1. Trade payables	6,148	6,426
2. Other liabilities	628	450
	6,776	6,876

## D. DEFERRED INCOME

	44	46
	13,519	14,354

# Consolidated Income Statement

as of June 30, 2009

	Jun. 30, 2009 in € thousands	Jun. 30, 2008 in € thousands
1. Sales	33,647	36,295
2. Other operating income	383	304
	34,030	36,599
3. Cost of materials		
a) Cost of purchased merchandise	- 29,131	- 31,877
b) Cost of purchased services	- 103	- 79
4. Personnel expenses		
a) Wages and salaries	- 2,494	- 2,876
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions: €4,232.55 (previous year: €4 thousand)	- 380	- 423
5. <del>Amortization and write-down of intangible assets and depreciation and write-down of tangible fixed assets</del>	- 77	- 92
6. Other operating expenses	- 2,764	- 3,155
	- 34,950	- 38,500
7. Interest and similar income	56	149
8. Expenses from shares in associates	0	- 10
9. Interest and similar expenses	- 3	0
	53	139
10. Result from ordinary activities	- 867	- 1,763
11. Extraordinary expense	0	0
12. Other taxes	- 15	- 11
13. Consolidated net loss for the year	- 883	- 1,774
14. Accumulated losses brought forward	- 227	- 373
15. Withdrawals from capital reserves	0	0
16. Consolidated net accumulated losses	- 1,110	- 2,147

# Consolidated Cash Flow Statement

as of June 30, 2009

	Jun. 30, 2009	Jun. 30, 2008
	in € thousands	in € thousands
<b>1. Cash flows from operating activities</b>		
Consolidated net loss for the year before interest paid	-880	-1,774
Interest paid	-3	0
Consolidated net loss	-883	-1,774
Depreciation, amortization and write-downs	77	103
Loss on disposal of fixed assets	0	1
Decrease in provisions	160	74
Decrease in receivables and other assets	84	1,019
Increase in liabilities	-95	-1,052
	-657	-1,629
<b>2. Cash flows from investing activities</b>		
Payments of disposable fixed assets	77	0
Purchase of intangible fixed assets	-24	-69
Purchase of tangible fixed assets	-3	-9
	23	-78
<b>3. Cash funds at end of period</b>		
Net change in cash funds (subtotal 1 – 3)	0	0
Effect on cash funds of exchange rate movements	0	0
Cash funds at beginning of period	0	-2
	0	-2
<b>4. Components of cash funds</b>		
Cash	7,530	8,222
Liabilities to banks	0	0
<b>Cash funds at end of period</b>	<b>7,530</b>	<b>8,222</b>

## Acknowledgements / Contact Information

### asknet AG

Vincenz-Priessnitz-Str. 3  
76131 Karlsruhe  
Germany

phone.: + 49(0) 7 21 / 9 64 58 - 0  
fax: + 49(0) 7 21 / 9 64 58 - 99  
eMail: [info@asknet.com](mailto:info@asknet.com)  
Internet: [www.asknet.com](http://www.asknet.com)

### Investor Relations Contact

Kirsten Neiningen  
asknet AG  
phone.: + 49(0) 7 21 / 9 64 58 - 63 99  
eMail: [kirsten.neiningen@asknet.com](mailto:kirsten.neiningen@asknet.com)

### Commercial Register

Mannheim Local Court HRB 108713

### Text

asknet AG, Karlsruhe, Germany  
DigitalAgentur mpm, Mainz

### Photos

Photo archive asknet AG

## Financial Calendar

November 13, 2009: Publication of results Q3 2009





**Accelerate your eSales in the Digital Marketplace.**  
[info@asknet.com](mailto:info@asknet.com) | [www.asknet.com](http://www.asknet.com)

**asknet AG**  
**Company Headquarters**

Vincenz-Priessnitz-Str. 3  
76131 Karlsruhe  
Germany

phone: +49 (0) 721 96458-0  
fax: +49 (0) 721 96458-99

**asknet Inc.**  
**US Headquarters**

Russ Building  
235 Montgomery St, Suite 1025  
San Francisco, CA 94104  
USA

phone: +1 (415) 352-2610  
fax: +1 (415) 352-2611

**asknet K.K.**

3F AIG Kabutocho Bldg.  
5-1 Nihonbashi Kabutocho  
Chuo-Ku, Tokyo 103-0026  
Japan

phone: +81 (0)3 6868-4900  
fax: +81 (0)3 6868-4950