

# net AG

infrastructure, software  
and solutions, Koblenz

Unaudited abridged

## interim consolidated financial statements

for the first six months  
October 1, 2008 – March 31, 2009

## fiscal year 2008/2009

October 1, 2008 – September 30, 2009

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## GROUP INTERIM MANAGEMENT REPORT

### I. Course of business

#### 1. Business Segments

net AG markets programs as software publisher in close cooperation with software developers and licensors. The net AG Group is divided into two operative segments, DACH / International and Spain / South America, and one miscellaneous division for companies and activities that cannot be assigned to either of the two operative segments. Besides net AG, the miscellaneous division essentially contains the minority interests of the company, HD-Plan GmbH und Co. KG, which no longer conducts any operative business activity other than a legal dispute with the firm Nemetschek, and Infomedia GmbH, which provides consultancy services within the net AG Group.

In the operative segments of the company, the subsidiaries market and sell software products from various areas of application. The products are licensed from developers or are developed on behalf of net AG subsidiaries, and/or sales agreements are concluded with software companies for their products. This business is referred to as software publishing.

#### Segment DACH<sup>1</sup> / International

The companies in this segment supply the German-speaking area with their products, as well as other international markets, in particular other countries in Europe. This includes the Dutch company Globell B. V. and BHV Software GmbH, Kaarst.

#### Spain/South America segment

The companies active in this segment are Micronet International S. L. (formerly Trekkies S. L.), Micronet S. A., Enciclonet S. L. and the Mexican Tasmicro S. L., in which the local management are interest holders with 10%.

#### 2. Earnings position

Turnover in the first six months of fiscal year 2008/2009 came to 10,415 TEUR (comparable period in the previous year in the continued business segments: 11,866 TEUR). This corresponds to a decline of 1,451 TEUR, or 12% in comparison with the previous year. This decline is due predominantly to the lower turnover in the DACH area compared to the prior year. Gross profit from turnover totalled 4,250 TEUR or 41% (comparable period from previous year: 6,498 TEUR or 55%). The margin decline is caused in particular by increased competitive pressure.

The result before taxes from continued operations for the first six months of fiscal year 2008/2009 came in at 595,000 TEUR (previous year period: 705,000 TEUR). This corresponds to a decline of 110 TEUR or 15.6%. When compared with the figures from the previous year, an effect from a large order in the first quarter of last year must be taken into account as well as the weaker demand in retail, with the resulting decline in turnover against the background of the current weaker economic environment. With the exception of BHV, however, the companies are in line with the expectations of net AG in terms of their sales and revenues.

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<sup>1</sup> DACH = Germany, Austria, Switzerland

Earnings before interest and taxes (EBIT) from discontinued operations amount to -96,000 EUR (previous year: 820,000 EUR). Consolidated net income before minority interests is 315,000 EUR (previous year: 501,000 EUR).

### **3. Financial position**

The cash and restricted cash equivalents at the end of the first half of fiscal year 2008/2009 amounted to 9,182 TEUR (December 31, 2008: 11,712 TEUR). Furthermore the company is holding corporate bonds with a nominal value of 1,035 TEUR. These bonds are supposed to be held until maturity. (785 TEUR until November 2009, 250 TEUR until February 2012).

### **4. Asset position**

The Group disposes of equity capital of 24,519 TEUR with a balance total of 36,590 TEUR. This corresponds to an equity ratio of 67.01% (December 31, 2008: 61.5%).

The investments in the first six months of fiscal year 2008/2009 amounted to 347 TEUR (previous year: 388 TEUR). These additions were largely replacements.

### **5. Risks and opportunities**

The company net AG is established as a leading sales company for software products (publisher) in Europe and in particular in South America.

The operative business of net AG and its subsidiaries, which is organised into the two segments DACH/International and Spain/South America, has been subject to adverse effects in the second half of the first half-year, in some cases severe. net AG was unable to continue the positive course of the first quarter, particularly in Germany. With its subsidiary BHV Software GmbH it suffered in this respect from a high rate of product returns from the retail sector. At the same time demand fell substantially, preventing generation of the new turnover that could have had a counteracting effect. The situation at BHV Software GmbH also obliged management to lay off employees, while a Managing Director likewise left the company. The possibility cannot be ruled out that the subsequent performance of BHV will adversely affect the earnings of net AG to a considerable extent. The market has already been notified of such adverse effects, as reported on April 14, 2009.

net AG is a partner of major companies among others Kaspersky and WinZip Computing whose products are sold by the Group companies. Both companies have initiated discussions concerning the continuation of long term relations. It cannot be ruled out that terms may have to be re-negotiated with our partner companies and changes in terms and conditions may emerge that could have a negative influence on the future course of business.

The economic environment of net AG continues to be exceedingly difficult and hard to predict, as is for all other companies. We expect that the consumer climate may deteriorate still further, which would also take its toll on the demand for products. Although a forecast is not possible at this point in time, we expect that this weak demand will continue to have an impact far into 2010.

The overall economic environment has led to a reduction in interest rates for the investment of cash. Since net AG endeavours to invest its funds as securely as possible and in this regard greater significance is given to security aspects than to thoughts of yield from the investment of cash, it is likely that the interest revenue planned by net AG for the course of the fiscal year cannot be realized in its

full amount. Since estimating interest rate trends is extremely difficult, however, no precise prediction can be made in this area.

The restructuring of BHV Software GmbH, Kaarst, could incur a risk that exceeds the normal business level of risk and exceeds the negative impact on earnings that has already been reported.

No going-concern risks have been identified.

#### **6. Employees as of March 31, 2009**

As of March 31, 2009, the net AG workforce numbered 94 employees, reflecting the continued operations of the remaining subsidiaries, including executive and senior management. The numbers broke down by department as follows: Sales 33; Support and Consulting 18; Service and Maintenance 8; Development 17 and Administration 10. In addition, a total of one trainee and two temporary staff were employed as at March 31, 2009.

## II. Outlook

net AG is perceived as an important software publisher in the markets. This positioning converged with a severely worsening economic environment, which is now also showing its full effects in relation to net AG products through the drop in demand. As a result we expect a difficult environment in 2009 and 2010.

net AG will use this period, however, to lay the foundation for future success through increased efforts in the areas of product development and by agreeing to new collaborations in an economic environment that is certain to improve once again.

For the next few quarters net AG anticipates strong pressure of competition along with decreasing demand. This will impact negatively on turnover and margins. Losses must therefore be expected. In this context, however, there will also be a consolidation of suppliers. Nevertheless, the market and competitive situation will not improve before the 2010 calendar year, probably not before 2011.

The restructuring and repositioning of BHV Software GmbH is still not showing any signs of success. The company is having an adverse effect on the results and liquidity of the net AG Group. The Board of Executive Directors is currently striving to reduce these effects going forward, by means of extreme cost consolidation. Sale of the business is also not ruled out. In this event, the negative effects on the earnings and liquidity of net AG could once again be substantial.

## GROUP INTERIM FINANCIAL STATEMENTS

### I. Abridged group balance sheet (in EUR `000)

As of March 31, 2009

| <u>Assets</u>   | 31.03.2009    | 30.09.2008    |
|---|---------------|---------------|
| <b>Long-term assets</b>                                 |               |               |
| Intangible assets                                       | 15,561        | 15,392        |
| - goodwill from capital consolidation                   | 14,184        | 14,184        |
| - other intangible assets                               | 1,377         | 1,208         |
| Tangible assets   | 1,035         | 1,016         |
| Long-term investments                                   | 1,013         | 978           |
| Other long-term assets                                  | 1,035         |               |
| <b>Total long-term assets</b>                           | <b>18,644</b> | <b>17,386</b> |
| <b>Current assets</b>                                   |               |               |
| Inventories   | 1,378         | 1,284         |
| Trade receivables                                       | 5,958         | 6,848         |
| Tax receivables   | 612           | 214           |
| Other current assets                                    | 670           | 692           |
| Restricted cash items                                   | 1,000         | 996           |
| Cash items  | 8,182         | 11,614        |
| Assets from discontinued operations                     | 146           | 293           |
| <b>Total current assets</b>                             | <b>17,946</b> | <b>21,941</b> |
| <b>Total assets</b>                                     | <b>36,590</b> | <b>39,327</b> |
| <b>Shareholder's equity and liabilities</b>             |               |               |
| <b>Shareholder's equity</b>                             |               |               |
| Subscribed capital                                      | 22,000        | 22,000        |
| Capital reserve   | 6,014         | 6,014         |
| Shareholder's equity deviation from currency conversion | 2             | 0             |
| Own shares  | (124)         |               |
| Accumulated profits/losses                              | (3,956)       | (4,044)       |
| Minority interest                                       | 583           | 511           |
| <b>Total shareholder's equity</b>                       | <b>24,519</b> | <b>24,481</b> |
| <b>Long-term liabilities</b>                            |               |               |
| Long-term financial liabilities                         | 3,017         | 3,015         |
| Deferred taxes  | 55            | 60            |
| <b>Total long-term liabilities</b>                      | <b>3,072</b>  | <b>3,075</b>  |
| <b>Current liabilities</b>                              |               |               |
| Trade accounts payable                                  | 3,536         | 3,683         |
| Short-term financial liabilities                        | 913           | 1,937         |
| Tax liabilities   | 530           | 501           |
| Tax provisions  | 368           | 404           |
| Other provisions  | 2,570         | 4,536         |
| Other short-term liabilities                            | 957           | 448           |
| Liabilities from discontinued operations                | 125           | 262           |
| <b>Total current liabilities</b>                        | <b>8,999</b>  | <b>11,771</b> |
| <b>Total shareholder's equity and liabilities</b>       | <b>36,590</b> | <b>39,327</b> |

## II. Abridged consolidated profit and loss statement (in EUR ` 000)

from October 1, 2007 until March 31, 2009

|   | Half Year     |                          | Quarter                    |                            |                            |
|---|---------------|--------------------------|----------------------------|----------------------------|----------------------------|
|   | From<br>Until | 01.10.2008 -<br>31.03.09 | 01.10.2007 -<br>31.03.2008 | 01.01.2009 -<br>31.03.2009 | 01.01.2008 -<br>31.03.2008 |
| Sales: Products                                   |               | 10,415                   | 11,866                     | 4,628                      | 5,325                      |
| Sales: Services                                   |               | 0                        | 0                          | 209                        | 0                          |
| Cost of sales                                     |               | (6,165)                  | (5,368)                    | (2,754)                    | (2,353)                    |
| <b>Gross profit</b>                               |               | <b>4,250</b>             | <b>6,498</b>               | <b>1,665</b>               | <b>2,972</b>               |
| Marketing costs                                   |               | (1,452)                  | (3,008)                    | (526)                      | (1,978)                    |
| General administration                            |               | (1,968)                  | (1,893)                    | (1,040)                    | (1,065)                    |
| Research and development                          |               | (398)                    | (382)                      | (192)                      | 244                        |
| Other operating earnings                          |               | 23                       | 65                         | 28                         | 59                         |
| Other operating expenditures                      |               | (21)                     | (240)                      | 0                          | (216)                      |
| <b>Operating results</b>                          |               | <b>434</b>               | <b>1,040</b>               | <b>(65)</b>                | <b>16</b>                  |
| Interest earnings                                 |               | 219                      | 20                         | 122                        | 19                         |
| Interest expenditures                             |               | (58)                     | (355)                      | (6)                        | (131)                      |
| <b>Financial result</b>                           |               | <b>161</b>               | <b>(335)</b>               | <b>116</b>                 | <b>(112)</b>               |
| <b>Result before taxes</b>                        |               | <b>595</b>               | <b>705</b>                 | <b>51</b>                  | <b>(96)</b>                |
| Taxes   |               | (184)                    | (1,024)                    | (80)                       | (890)                      |
| <b>Net group income from continued operations</b> |               | <b>411</b>               | <b>(319)</b>               | <b>(29)</b>                | <b>(986)</b>               |
| <b>Income from discontinued operations</b>        |               | <b>(96)</b>              | <b>820</b>                 | <b>(55)</b>                | <b>283</b>                 |
| <b>Net consolidated income</b>                    |               | <b>315</b>               | <b>501</b>                 | <b>(84)</b>                | <b>(703)</b>               |
| Accumulated profits /losses                       |               | (4,044)                  | (4,485)                    | (3,727)                    | (3,526)                    |
| Disbursement to third parties                     |               | (227)                    | (398)                      | (145)                      | (153)                      |
| <b>Accumulated profits/losses</b>                 |               | <b>(3,956)</b>           | <b>(4,382)</b>             | <b>(3,956)</b>             | <b>(4,382)</b>             |
| <b>earnings per share</b>                         |               |                          |                            |                            |                            |
| <b>bevor minorities</b>                           |               | <b>0,02</b>              | <b>0,03</b>                | <b>0,00</b>                | <b>(0,03)</b>              |
| continued operations                              |               | 0,02                     | (0,01)                     | 0,00                       | (0,04)                     |
| discontinued operations                           |               | 0,00                     | 0,04                       | 0,00                       | 0,01                       |
| <b>earnings per share</b>                         |               |                          |                            |                            |                            |
| <b>after minorities</b>                           |               | <b>0,01</b>              | <b>0,01</b>                | <b>(0,01)</b>              | <b>(0,04)</b>              |
| continued operations                              |               | 0,01                     | (0,03)                     | 0,01                       | (0,05)                     |
| discontinued operations                           |               | 0,00                     | 0,04                       | 0,00                       | 0,01                       |

**III. Abridged statement of change in shareholder`s equity (in EUR `000)**  
from October 1, 2008 until March 31, 2009

|   | Shares        | Additional paid-in capital | Shareholder's equity deviation from currency conversion | Accumulated profits / losses | Treasury stock | Minority interest | Total         |
|---|---------------|----------------------------|---|------------------------------|----------------|-------------------|---------------|
| <b>Shareholder's equity as of 30.09.2007</b>  | <b>22.000</b> | <b>6.014</b>               | <b>0</b>  | <b>-4.485</b>                | <b>0</b>       | <b>555</b>        | <b>24.084</b> |
| Consolidated net income 01.10.07 – 31.03.08   |               |                            |   | 500                          |                |                   | 500           |
| Minority interest                             |               |                            |   | -397                         |                | 397               | 0             |
| Dividends                                     |               |                            |   |                              |                | -186              | -186          |
| <b>Shareholder's equity as of 31.03.2008</b>  | <b>22.000</b> | <b>6.014</b>               | <b>0</b>  | <b>-4.382</b>                | <b>0</b>       | <b>766</b>        | <b>24.398</b> |
| Changes in consolidated companies             |               |                            |   |                              |                | 1                 | 1             |
| Consolidated net income 01.04.08-31.03.08     |               |                            |   | 252                          |                |                   | 252           |
| Minority interest                             |               |                            |   | 86                           |                | -86               | 0             |
| Dividends                                     |               |                            |   |                              |                | -170              | -170          |
| <b>Shareholder's equity as of 30.09.2008</b>  | <b>22.000</b> | <b>6.014</b>               | <b>0</b>  | <b>-4.044</b>                | <b>0</b>       | <b>511</b>        | <b>24.481</b> |
| Acquisition of own shares                     |               |                            |   |                              | -124           |                   | -124          |
| Currency conversion                           |               |                            | 2   |                              |                |                   | 2             |
| Consolidated net income 01.10.08 - 31.03.2009 |               |                            |   | 315                          |                |                   | 315           |
| Minority interest                             |               |                            |   | -227                         |                | 227               | 0             |
| Dividends                                     |               |                            |   |                              |                | -155              | -155          |
| <b>Shareholder's equity as of 31.03.2009</b>  | <b>22.000</b> | <b>6.014</b>               | <b>2</b>  | <b>-3.956</b>                | <b>-124</b>    | <b>583</b>        | <b>24.519</b> |

#### IV. Abridged group statement of cash flows (in EUR ` 000)

from October 1, 2008 until March 31, 2009

|  | From<br>Until | 01.10.2008 -<br>31.09.2009 | 01.10.2007 -<br>31.03.2008 |
|--|---------------|----------------------------|----------------------------|
| <b><u>I. Cash flow from operating activities</u></b>                 |               |                            |                            |
| EBIT from current operations   |               | 339                        | 1,040                      |
| Interest paid  |               | (58)                       | (355)                      |
| Interest received  |               | 219                        | 32                         |
| Taxes paid   |               | (184)                      | (10)                       |
| Depreciation on tangible assets                                      |               | 410                        | 357                        |
| Increase (decrease) in provisions for taxes                          |               | (41)                       | 93                         |
| (Increase) decrease form divesture of tangible and intangible assets |               | 0                          | 23                         |
| (Increase) decrease form divesture of financial assets               |               | 0                          | (355)                      |
| Other affecting payment losses / profits                             |               | 0                          | (60)                       |
| (Increase) decrease in trade receivables                             |               | 891                        | 118                        |
| (Increase) decrease in inventories                                   |               | (94)                       | 0                          |
| (Increase) decrease in other assets                                  |               | (228)                      | (468)                      |
| Increase (decrease) in trade payables                                |               | (148)                      | 496                        |
| Increase (decrease) in other provisions and liabilities              |               | (3,209)                    | (3,259)                    |
| Total cash flow from current and discontinued operations             |               | (208)                      | (826)                      |
| <b>Total cash flow from operating activities</b>                     |               | <b>(2,311)</b>             | <b>(3,174)</b>             |
| <b><u>II. Cash flow from investing activities</u></b>                |               |                            |                            |
| Investment in tangible and intangible assets                         |               | (347)                      | (408)                      |
| Purchase of own shares   |               | (124)                      | 0                          |
| Purchase (sale) of subsidiaries                                      |               | 0                          | (9)                        |
| Purchase of shares   |               | (1,035)                    | 0                          |
| Provision of loans   |               | (35)                       | 0                          |
| Cash flow from investing activities of discontinued operations       |               | 0                          | 20                         |
| <b>Total cash flow from investing activities</b>                     |               | <b>(1,541)</b>             | <b>(397)</b>               |
| <b><u>III. Cash flow from financing activities</u></b>               |               |                            |                            |
| Increase (decrease) in short-term financial liabilities              |               | 509                        | (1,955)                    |
| Increase (decrease) in long-term financial liabilities               |               | 0                          | 4,963                      |
| Dividends and payments to minority interests                         |               | (155)                      | (186)                      |
| Cash flow from financing activities from discontinued operations     |               | 0                          | 103                        |
| <b>Total cash flow from financing activities</b>                     |               | <b>354</b>                 | <b>2,925</b>               |
| <b>Total cash flow</b>   |               | <b>(3,498)</b>             | <b>(646)</b>               |
| <b>Cash items at end of last period</b>                              |               | <b>12,610</b>              | <b>4,084</b>               |
| Cash items from discontinued operations                              |               | 70                         | 788                        |
| Changes in cash items of this period                                 |               | (3,498)                    | (646)                      |
| <b>Cash items and limited cash items at end of period</b>            |               | <b>9,182</b>               | <b>4,226</b>               |

## V. Segment reporting

Pursuant to IAS 14, net AG, as a publicly listed company, has to provide segment reporting. For fiscal years that start after December 31, 2008, the application of the successor directive IFRS 8 is compulsory. net AG has voluntarily resolved to already apply IFRS 8 at the start of fiscal year 2008/2009.

Pursuant to IFRS 8, a business segment is a unit of a company:

- a) that conducts business activities from which revenues are generated and for which expenses can occur (including revenues and expenses in connection with transactions with other units of the same company);
- b) whose operating results are regularly examined by the principal decision-making unit of the company regarding decisions on the allocation of resources to this segment and the measurement of its earnings capability; and
- c) for which relevant financial information is present.

During the previous year, the company was segmented into two business units: IT Solutions and Publishing. After the sale of essential companies from the IT Solutions area in fiscal year 2007/08, net AG is now only active in the Publishing segment. net AG, as publisher, markets and sells software and multimedia tools, as well as products from the areas of security, edutainment and infotainment, digital media, as well as tools and utilities. The following services are provided within the context of the international sales structure:

- Inclusion in all trade channels throughout Europe
- Online marketing
- Brand management
- Marketing and press work
- Production and logistics
- Customer support

At the beginning of fiscal year 2008/09, the internal reporting structure was structured according to the regional principle. It is structured as follows:

### **DACH/International segment**

This segment comprises the business activities in Germany, the Netherlands and North America. The segment is made up of the companies Globell B.V. and bhv Software GmbH.

### **Spain/South America segment**

This segment bundles the activities in the Spanish-speaking market, in particular in Spain and South America. The segment consists of the companies Micronet International S.L. (formerly Trekkies S.L.), Micronet S.A., Enciclonet S.L. and Tasmicro SL de CV.

### **Consolidation/Others**

'Consolidation/Others' contains net AG itself and companies, which cannot be directly allocated to the two main segments. These are net m Holding AG, net mobile Management GmbH, net systems GmbH, Dritte net GmbH, HD Plan Planungssysteme GmbH & Co. KG and Infomediar GmbH.

Sales between the segments are on the basis of usual market conditions as applicable to third parties. Assets and liabilities of the segments are comprised of the assets and liabilities of the individual companies. Goodwill from capital consolidation is allocated to the corresponding segments. The segments contained no other significant costs affecting payment expenses.

Information on business segments

| EUR `000                                       | Fiscal year    | DACH/<br>International | Spain/<br>South<br>America | Consolidation<br>/ Others | Group  |
|--|----------------|------------------------|----------------------------|---------------------------|--------|
| Sales  | 1. HY 08/09    | 4,442                  | 6,304                      | 11                        | 10,757 |
|  | 1. HY 07/08    | 5,992                  | 5,767                      | 150                       | 11,909 |
| External sales                                 | 1. HY 08/09    | 4,156                  | 6,259                      | 0                         | 10,415 |
|  | 1. HY 07/08    | 5,992                  | 5,767                      | 107                       | 11,866 |
| Internal sales                                 | 1. HY 08/09    | 286                    | 45                         | 11                        | 342    |
|  | 1. HY 07/08    | 0                      | 0                          | 43                        | 0      |
| Interest earnings                              | 1. HY 08/09    | 2                      | 3                          | 214                       | 219    |
|  | 1. HY 07/08    | 5                      | 6                          | 9                         | 20     |
| Interest expenditures                          | 1. HY 08/09    | 64                     | 301                        | (307)                     | 58     |
|  | 1. HY 07/08    | 57                     | 94                         | 210                       | 355    |
| Expenditure for<br>scheduled deprecia-<br>tion | 1. HY 08/09    | 99                     | 235                        | 76                        | 410    |
|  | 1. HY 07/08    | 0                      | 39                         | 147                       | 281    |
| EBIT   | 1. HY 08/09    | 4                      | 994                        | (659)                     | 339    |
|  | 1. HY 07/08    | 42                     | 1,211                      | (213)                     | 1,040  |
| Total assets                                   | as of 31.12.08 | 9,047                  | 14,353                     | 13,190                    | 36,590 |
|  | as of 30.09.07 | 9,842                  | 13,992                     | 15,563                    | 39,327 |
| Liabilities                                    | as of 31.12.08 | 7,644                  | 10,667                     | (6,240)                   | 12,071 |
|  | as of 30.09.07 | 8,217                  | 12,620                     | (5,991)                   | 14,846 |
| Investment in<br>Assets                        | 1. HY 08/09    | 150                    | 138                        | 59                        | 347    |
|  | 1. HY 07/08    | 160                    | 41                         | 187                       | 388    |
| Changes in<br>Goodwill                         | 1. HY 08/09    | 0                      | 0                          | 0                         | 0      |
|  | 1. HY 07/08    | 0                      | (290)                      | 0                         | (290)  |

Dependencies on individual customers exist for net AG. In the DACH/International segment, 13.7% of total sales are generated by one customer. In the Spain/South America segment, 12.7% of sales are generated by this one customer. On Group level, 13.1% of sales are generated by this one customer.

Furthermore, the DACH/International segment has business relations with one individual customer who generated 22.0% of their sales. On Group level this customer generates 10.0% of overall sales.

## **VI. Notes and explanations to the consolidated financial statement**

from October 1, 2008 until March 31, 2009

### **A. GENERAL EXPLANATIONS ON THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. General notes**

##### **Domicile of company and additional offices**

net AG is domiciled in Koblenz. Business premises are located on Schloßstr. 1, 56068 Koblenz, Germany. The company is registered in the Commercial Register (Handelsregister) of the district court (Amtsgericht) Koblenz under HR B 7570.

Furthermore, net AG group maintains other national and international offices for the segment DACH/International (two offices) and Spain/South America (two offices).

##### **Fiscal year**

The fiscal year of net AG and its affiliates starts on October 1 and ends on September 30 of the following calendar year.

#### **3. Explanations on reporting**

This interim consolidated financial statement for the first quarter of the fiscal year 2008/2009 was drawn up by the Management in compliance with the International Financial Reporting Standards (IFRS), as applicable in the European Union. Therefore, not all information required for an annual report at the end of a fiscal year is included in this interim consolidated financial statement. This quarterly financial statement has not been audited or reviewed by an auditor.

Methods of accounting and valuation are in accordance with the last annual financial statement as of September 30, 2008. All information should be read in connection with the annual statement as of September 30, 2008 and its appendices as well as the following information.

While drawing up this interim financial consolidated statement according to IAS 34 "Interim Financial Reporting", the management had to make use of estimates and assumptions which may affect the interim report. The actual amounts may differ from these estimates.

#### **4. Explanations on consolidation**

##### **Principles**

The consolidated financial statement incorporates all net AG subsidiary companies. In accordance with IAS 27.4, a subsidiary company is one that is controlled by another company. Control in this sense means the possibility of determining the financial and business policy of a company to obtain benefits from its activities.

The basis for drawing up the consolidated financial statement is the individual financial statements of net AG and its subsidiaries, which are drawn up in accordance with standard accounting and valuation methods.

##### **Consolidated group**

In addition to net AG infrastructure, software and solutions AG, Koblenz, the consolidated financial statement incorporates fifteen other companies, of which five are foreign based and of all of which

net AG has a controlling financial interest. As such, all subsidiary companies were incorporated in the consolidated financial statement. In comparison to last year's financial statement as of 30.09.2008 no changes to the consolidation scope took place.

Currently, net AG is in the process of examining possibilities of liquidating or merging smaller companies which are not required for its core business and do not have any operating activities of their own. When applicable, information will be provided in future interim reports.

HD Plan Planungssysteme GmbH & Co. KG was included under discontinued business operations since the continuation of its operative business after the conclusion of its legal proceedings against Nemet-schek AG is not possible. Prior year reporting for this category included Stemmer GmbH and SND GmbH which were sold during that business year.

## 5. Explanations on accounting and valuation

All interim financial statements of consolidated companies are based on standardized accounting and valuation principles. Valuation is not affected by tax regulations and is only based on the on the economical presentation of the financial and profit situation according to the IASB.

Please note the following explanations in "explanations on group balance sheet," and "explanations on the consolidated profit and loss statement," which provide further information.

## B. EXPLANATIONS ON THE GROUP BALANCE SHEET

### 1. Intangible assets

Intangible assets result mainly from goodwill, totalling 14,184 TEUR (September 30, 2008: 14,184 TEUR), licensing rights from capital consolidation totalling 350 TEUR (September 30, 2008: 466 TEUR), self-created intangible assets totalling 178 TEUR (September 30, 2008: 242 TEUR) as well as patents, software, and similar intangible assets totalling 849 TEUR (September 30, 2008: 500 TEUR).

### 2. Tangible assets

Tangible assets amount to a total of 1,035 TEUR (30.09.2008: 1,016 TEUR) and consist mainly of office equipment, office furnishings and installations.

### 3. Long-term investments

| EUR `000                            | 31.03.2009   | 30.09.2008 |
|-------------------------------------|--------------|------------|
| Shares in associated companies      | 128          | 128        |
| Investments                         | 150          | 150        |
| Others                              | 735          | 700        |
| <b>Book value other investments</b> | <b>1,013</b> | <b>978</b> |

As of March 31, 2009, net AG holds shares of CIP Corporate Intelligent Partners, Munich, with a value of EUR 128,000.

Additionally, an investment in the amount of 150 TEUR was made for a 4.9% interest in Hitflip Media Trading GmbH, Cologne. The company develops and maintains an internet-platform for the exchange of media products (especially DVDs, audio books, etc.) as well as related internet services. net AG holds this investment to gain experience in the exchange of digital products in order to later apply this experience to its own business (software and games on CD or DVD).

Other Financial Investments consist primarily of several loans made by net AG to Fairclick GmbH in the amount of 715 TEUR. These loans have a uniform interest yield of 5% and are due to be discharged by March 31, 2014. The loans are free from redemption until March 31, 2010. Due to the information in the business plans of Fairclick GmbH, the loans receivable are booked at full value. Should Fairclick GmbH not achieve its targets and should doubts arise as to the company's ability to repay the loan, Group results could be negatively impacted.

#### **4. Other long-term assets**

This item contains securities that are held to maturity.

|                | <b>Maturity</b> | <b>Interest rate</b> | <b>Nominal amount</b> |
|----------------|-----------------|----------------------|-----------------------|
| Corporate bond | 18.11.2009      | 4,125%               | 785 TEUR              |
| Corporate bond | 3.2.2012        | 5,250%               | 250 TEUR              |

#### **5. Inventories**

As of March 31, 2009, inventories totalled 1,378 TEUR (30.09.2008: 1,284 TEUR).

#### **6. Trade receivables**

As of March 31, 2009, trade receivables amounted to 5,958 TEUR (30.09.2008: 6,848 TEUR).

#### **7. Tax receivables**

Tax receivables only increased slightly from 214 TEUR as of 30 September 2008 to 612 TEUR as of March 31, 2009. 183 TEUR resulted from income tax receivables, 402 TEUR resulted from value added tax receivables.

#### **8. Other current assets**

Other current assets in the amount of 670 TEUR (30.09.2008: 692 TEUR) were mainly comprised of a loan to third parties, suppliers with debit balances and accruals.

#### **9. Restricted cash items**

Restricted liquid funds as of March 31, 2009, amounted to 1,000 TEUR (30.09.2008: 996 TEUR). These are made up of a fixed deposit as a safeguard for purchase price instalments which the former owners of Micronet S.A. are entitled to if the guaranteed events stated in the purchase contract do not occur.

#### **10. Cash on hand**

As at March 31, 2009, cash on hand amounted to a total of 8,182 TEUR (30.09.2008: 11,614 TEUR).

#### **11. Subscribed capital**

Unchanged from year end reporting as of 30.09.2008, subscribed capital amounts to 22,000,000.00 EUR and consists of 22 million no-par shares.

#### **Approved capital**

Pursuant to the resolution adopted by the annual general meeting on March 13, 2007, share capital amounting up to a total of 11,000,000.00 EUR was created.

Pursuant to the resolution passed by the annual general meeting on March 13, 2007, the company, in accordance with §71 I 8 AktG (Companies Act), was authorized to acquire up to 2,200,000 of its own shares by September 12, 2008. As of 30 December 2008, no own shares were activated (previous year: no shares).

Nominal capital was conditionally increased by up to 500,000.00 EUR by issuing up to 500,000 new no-par bearer shares.

Share capital is increased on a contingent basis by up to EUR 7,964,000.00 by issuing up to 7,964,000 new no-par inscribed shares until March 29, 2011 (Contingent capital II).

Pursuant to the resolution of the annual general meeting on March 13, 2007, share capital is increased on a contingent basis by up to EUR 2,536,000.00 by issuing up to 2,536,000 new no-par inscribed shares until March 12, 2012 (Contingent capital III).

#### **12. Capital reserve**

Capital reserve with an amount of 6,014 TEUR did not change in comparison to previous year.

#### **13. Own Shares**

The Board of Executive Directors of net AG, with the approval of the Supervisory Board, has decided to acquire up to 1,000,000 own shares in the company in the period from November 19, 2008 to March 30, 2009. The stock repurchase is based on the authorization granted by the general meeting on May 27, 2008 on acquisition of the company's own shares in accordance with §71 Paragraph 1 No. 8 AktG (Companies Act). The repurchase programme has now been completed. A total of 343,216 shares were acquired at a total price of 137 TEUR. The average purchase price was therefore about 0.40 EUR/share.

#### **14. Accumulated profits/losses**

Accumulated profits/losses, as of March 31, 2009, totalled -3,956 TEUR (30.09.2008: -4,044 TEUR).

#### **15. Minority interest**

Minority interests, as of March 31, 2009, amounted to 583 TEUR (Previous year: 511 TEUR). Interests are held by Micronet S.A., Madrid, Enciclonet S.A., Madrid, and Tasmicro S.L. de C.V., Mexico.

#### **16. Long-term financial liabilities**

As of March 31, 2009, long-term financial liabilities amounted to 3,017 TEUR (30.09.2008: 3,015 TEUR). The total is made up of two net AG promissory notes for the acquisition of Micronet S.A. in the amount of 2,000 TEUR, as well as liabilities to the former owners of Micronet S.A. in the amount of 996 TEUR, which concern the long-term share of the still open purchase price instalments from this acquisition. To this end, liquid funds with restricted availability are held in the corresponding amount, see Item 8 above.

#### **17. Deferred taxes**

Deferred taxes, as per March 31, 2009, totalled 55 TEUR (30.09.2008: 60 TEUR).

#### **18. Trade accounts payable**

As of March 31, 2009, trade accounts payable totalled 3,536 TEUR (30.09.2008: 3,683 TEUR).

#### **19. Short-term financial liabilities**

As of March 31, 2009, short-term financial liabilities totalled 913 TEUR (30.09.2008: 1,937 TEUR).

#### **20. Tax liabilities**

Current tax liabilities, as per March 31, 2009, totalled 530 TEUR as of December 31, 2008 (30.09.2008: 501 TEUR).

#### **21. Tax provisions**

As of March 31, 2009, current tax provisions totalled 368 TEUR (30.09.2008: 404 TEUR).

#### **22. Other provisions**

Other provisions totalled 2,570 TEUR as of March 31, 2009 (30.09.2008: 4,536 TEUR). The decrease is mainly attributable to the claim for sale price reduction by the purchaser of the shares in Stemmer GmbH and SND GmbH, as well as the use of current provisions.

#### **23. Other short-term liabilities**

Other short-term liabilities as of March 31, 2009 amounted to 957 TEUR (30.09.2008: 448 TEUR). The increase by 1,017 EUR was mainly the result of short-term bank loans provided by Micronet S.A.

## **C. EXPLANATIONS ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT**

### **1. Sales: Products**

The sales area 'Products' is mainly comprised of software. Sales for products totalled 10,415 TEUR in the first half-year of fiscal year 2008/2009 (previous-year half year: 11,866 TEUR). This corresponds to a reduction of 12.2%.

### **2. Cost of sales**

Cost of sales totalled 6,165 TEUR (Previous-year half-year: 5,386 TEUR). The material rate thus increased to 59.2% (Previous-year half-year: 45.2%). The main causes for this increase are a decline in sales of products with a high gross profit margin and an increase in the sale of third-party products.

### **3. Gross profit**

Gross profit totalled 4,250 TEUR (Previous-year half-year: 6,498 TEUR). This corresponds to 40.8% of total sales (Previous-year half-year: 54.8%).

### **4. Marketing costs**

Marketing costs totalled 1,452 TEUR (Previous-year half-year: 3,008 TEUR). This corresponds to 13.9% of total sales (Previous-year half-year: 25.3%).

### **5. General administration**

General administration amounted to 1,968 TEUR (Previous-year half-year: 1,893 TEUR). This corresponds to 18.9% of total sales (Previous-year half-year: 16.0%).

### **6. Research and development**

Research and development totalled 398 TEUR (Previous-year half-year: 382 TEUR). This corresponds to 3.8% of total sales (Previous-year half-year: 3.2%). After acquisition of Micronet S.A., net AG group now possesses its own research and development capacities.

### **7. Other operating earnings**

Other operating earnings amounted to 23 TEUR (Previous-year half-year: 65 TEUR).

### **8. Other operating expenditures**

Other operating expenditure totalled 21 TEUR (Previous-year half-year: 240 TEUR).

## 9. Operating result

Operating result decreased to 434 TEUR from 1,040 TEUR.

## 10. Interest earnings

Interest earnings totalled 219 TEUR (Previous year half-year: 20 TEUR) and result from cash investments in fixed term deposits with up to 30 days maturity, money market accounts and from interest from ongoing business accounts.

## 11. Interest expenditures

Interest expenditures amounted to 58 TEUR (Previous-year half-year: 3,554 TEUR). The decline corresponds to the amortization of loans that were obtained for the acquisition of the Spanish companies after the sale of shares in Stemmer GmbH and SND GmbH.

## 12. Financial result

Financial result was 161 TEUR (Previous-year half-year: –335TEUR).

## 13. Result before taxes

Result before taxes amounted to 595 TEUR (Previous-year half-year: 705 TEUR).

## 14. Taxes

Tax expenditures totalled 184 TEUR (Previous-year half-year: -1,024 TEUR). This amount is entirely due to foreign taxes. In the previous year, deferred tax assets were capitalized on accumulated losses, which were re-adjusted in the course of the remainder of the 2007/2008 business year.

## 15. Income from discontinued operations

The ongoing operative result from HD-Plan Planungssysteme GmbH & Co. KG is recorded under result from discontinued operations. For the same time frame prior year, this item included the operative results of Stemmer GmbH, SND GmbH and of HD Plan, which were sold during last fiscal year.

The profit of discontinued operations contains the following items:

| EUR '000         | <b>1.10.2008-<br/>31.03.2009</b> | <b>1.10.2007-<br/>31.03.2008</b> |
|------------------|----------------------------------|----------------------------------|
| Sales            | 12                               | 20,104                           |
| Expenses         | 107                              | 19,084                           |
| Operating result | (95)                             | 1,020                            |
| Financial result | (1)                              | (42)                             |
| Income Taxes     | 0                                | (158)                            |
|                  | <b>(41)</b>                      | <b>820</b>                       |

#### **16. Net consolidated income**

Net consolidated income amounted to 315 TEUR (Previous-year half-year: 501 TEUR). This corresponds to a decline of 37.1 %.

#### **17. Accumulated profits/losses**

Accumulated profits/losses carried over amounted to –4,044 TEUR (previous year: – 4,485 TEUR).

#### **18. Disbursement to third parties**

Disbursement to third parties totalled 227 TEUR (Previous-year half-year: 398 TEUR). These resulted from earnings payable to the minority shareholders of Micronet S.A., Madrid, Enciclonet S.A., Madrid and Tasmicro S.L. de C.V., Mexico as well as to HD-Plan Planungssysteme GmbH & Co. KG, Rottensburg in the previous year.

#### **19. Earnings per share**

The undiluted earnings per share are based on an average number of 21,828,342 shares (previous year: 22,000,000 shares). The diluted earnings are in accordance with the undiluted earnings per share.

In accordance to IAS 33.47, there is no dilutive effect from issued share options which were issued to employees, managers and executives of net AG and its subsidiaries in the years 2000–2002 based on the resolution of the Extraordinary General Meeting of January 24, 2000. Conditional Capital I is in place to fulfil these obligations. In addition, Conditional Capital II as well as Approved Capital exists, which may be used in accordance with the statutes.

#### **Further information on the consolidated profit and loss statement**

Since net AG applies the cost of sales accounting method, it is necessary to provide further details on the Income Statement in accordance with IAS 1.93. The expense items Cost of Materials, Personnel Costs, and Depreciations, as well as other operating expenditures and earnings attributable to Sales pursuant to the cost-summary accounting method are being allocated in accordance with principle of causation to the items Manufacturing Costs, Marketing Costs and General Administration Costs according to the cost of sales accounting method.

Expenditures for scheduled depreciation amounts to 410 TEUR (previous year: 281 TEUR), expenditures for unscheduled depreciation neither occurred during first half-year 2008/2009 nor during first half-year 2007/2008. Leasing expenditures amounted to 72 TEUR. Personnel costs amounted to 2,237 TEUR, of which 1,838 TEUR were for wages and salaries, 388 TEUR for social contributions and 12 TEUR for the company pension scheme.

#### **D. EXPLANATION ON THE GROUP STATEMENT OF CASH FLOWS**

The group cash flow statement is segmented into cash flow from operating activities, cash flow from investment activities and cash flow from financing activities.

Cash outflow from continued operations has increased from -3.2 Mio Euro up to -2.3 Mio Euro. Liquidity has been used basically to finance the losses of BHV GmbH as well as to the use of provisions. Investment activities in the first half-year were confined to ongoing replacement and replenishment, particularly for operating and office equipment. They almost correspond to the level of the previous year half-year. In addition, fixed-interest securities in an amount of 1,035 TEUR and own shares in the amount of 124 TEUR were acquired. Also further loans were granted to Fairclick GmbH. Financing activity is characterized by the utilization of short-term loans and by dividend payments to minority shareholders. In total, a negative cash flow of -3,498 TEUR was generated during the first half-year.

Cash items are defined as cash, bank deposits and checks. This also includes 1,000 TEUR in restricted cash items.

#### **E. OTHER EXPLANATIONS AND INFORMATION**

##### **1. Significant events after the balance sheet date**

net AG actually holds conversations about different options to restructure the BHV Software GmbH. There is also the possibility of sale of the company's assets. As per 1<sup>st</sup> April 2009 Mr. Bernhard Pöllinger has been appointed to the board of directors.

##### **2. Related parties**

According to IAS 24, companies and persons are considered affiliated if one of the parties is able to control the other party, or to exert a significant influence on its financial and business policy. This may include relationships between net AG and its subsidiaries or, the management and supervisory board of net AG, as well as the managers of net AG subsidiaries and associated companies of net AG and their subsidiaries.

In the case of business transactions with such affiliated parties – if applicable – further information must be provided concerning the type of relationship as well as potential effects of such relationships on business transactions and open positions.

Mr Dedeke, a former Director of BHV Software GmbH, holds a personal interest in Prime Games Production GmbH, which acts as franchiser for the aforementioned subsidiary. BHV's sales with this company are conducted at prevalent market conditions. During the first half-year of fiscal year 2007/2008, sales amounting to 177 TEUR occurred. BHV Software GmbH reported liabilities amounting to 106 TEUR owed to Prime Games Production GmbH as of March 31, 2007.

The Management Board and the Supervisory Board of net AG and the Managing Directors of the remaining subsidiaries conducted no business in the fiscal year with net AG and/or its subsidiaries.

### 3. Shares holdings by officers

|                             | Number of shares<br>= amount of equity capital |                |                    | Number of share options |               |
|-----------------------------|--|----------------|--------------------|-------------------------|---------------|
|                             | 31.03.2009                                     | 30.09.2008     | % of share capital | 31.03.2009              | 30.09.2008    |
|                             | <u>CEO</u>                                     | 0              | 0                  | 0.00                    | 5,000         |
| Dr. Stefan Immes            | 0  | 0              | 0.00               | 5,000                   | 10,000        |
| <u>Management Board</u>     | 100,000  | 100.000        | 0.45               | 0                       | 0             |
| Dirk Niebergall             | 0  | 0              | 0.00               | 0                       | 0             |
| Alfred Luttmann             | 0  | 0              | 0.00               | 0                       | 0             |
| Theo Reichert <sup>1)</sup> | 100,000  | 100.000        | 0.45               | 0                       | 0             |
| Bernhard Pöllinger          |  |                |                    |                         |               |
| <b>Total</b>                | <b>100,000</b>                                 | <b>100.000</b> | <b>0.45</b>        | <b>15,000</b>           | <b>10,000</b> |

<sup>1)</sup> Mr. Reichert quit the board of directors as per 31st March 2009. His successor is Mr. Bernhard Pöllinger.

Koblenz, Mai 6, 2009

Dr. Stefan Immes  
CEO