

ANNUAL REPORT 2016





SELECTED KEY FIGURES OF THE GROUP

in € million

	2011	2012	2013	2014	2015	2016	
Transaction Revenues	83.92	90.97	95.72	101.80	83.20	73.96	
Sales Revenues (excluding other operative income)	65.42	74.82	82.21	89.38	73.32	68.72	
Cost of Materials	-55.35	-64.70	-71.84	-78.74	-62.93	-59.80	
Gross Profit	10.07	10.12	10.38	10.64	10.39	8.92	
Gross Profit Margin (of Transaction Revenues)	in %	12.0	11.1	10.8	10.5	12.5	12.1
Gross Profit Margin (of Sales Revenues)	in %	15.4	13.5	12.6	11.9	14.2	13.0
Personnel Expenses	5.88	4.75	4.98	5.41	5.19	5.37	
Other Expenses	4.92	5.80	5.35	5.18	5.21	5.35	
EBIT	-0.89	0.09	0.24	0.11	0.09	-1.65	
Result from Ordinary Activities	0.04	0.02	0.00	0.00	0.00	-0.18	
EBT	-0.85	0.10	0.24	0.11	0.09	-1.83	
Net Income/Loss	-0.88	0.08	0.23	0.10	0.08	-2.50	



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FINANCIAL CALENDAR

ASKNET AT A GLANCE

1995 ESTABLISHED



2006 IPO



2 BUSINESS UNITS



eCOMMERCE
SOLUTIONS



ACADEMICS

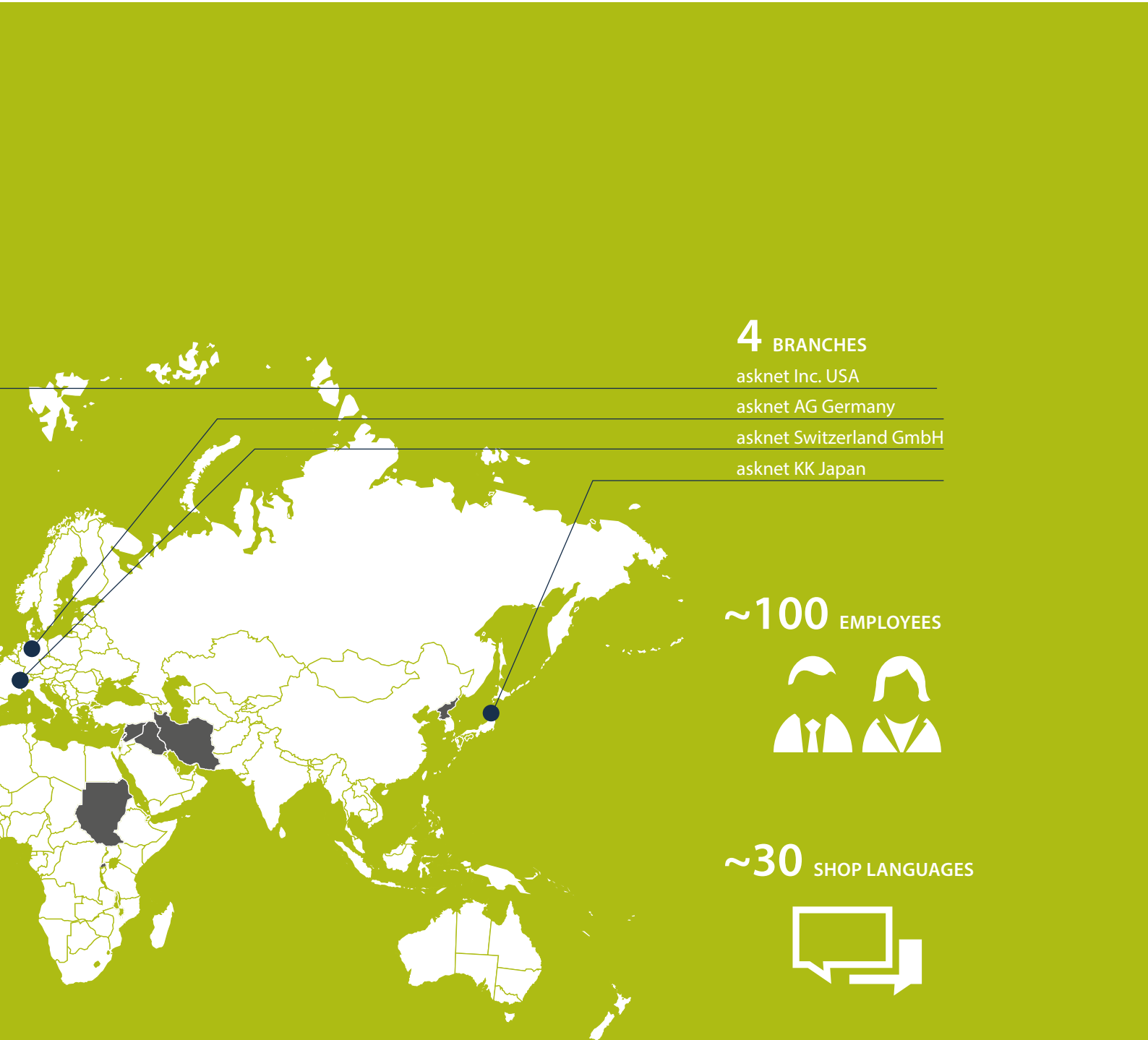
>190 DELIVERY COUNTRIES



MARKETS

■ Countries in which we sell





4 BRANCHES

- asknet Inc. USA
- asknet AG Germany
- asknet Switzerland GmbH
- asknet KK Japan

~100 EMPLOYEES



~30 SHOP LANGUAGES



>30 SHOP CURRENCIES



Embargo countries



MANAGEMENT



> **Mr Kaulfuss, the past fiscal year marked a clear break for asknet Group. Looking back, what do you think about 2016?**

It was a year of stark contrasts. On the sales side, we are very satisfied with the course of business. After all, our eCommerce Solutions Business Unit (formerly Digital & Physical Goods Business Units) was able to win 18 new customers, which made 2016 one of the most successful sales years in the history of asknet. Twelve new customers signed up for our eCommerce Suite and six for our Verify solution. Asian customers are particularly interested in the solutions offered by asknet's eCommerce Solutions Business Unit. Some of the new online shops were realized in the fourth quarter and were already handling revenues in the single-digit million range at the end of 2016. As we will launch additional shops in 2017 and are confident that we will win new customers, we expect this business unit to grow its revenues and gross profits in the course of the year. We believe that these sales successes are very much attributable to the changes we initiated over the past years. asknet's Academics Business Unit also launched two new procurement portals and renewed some of its important partnerships, which will lead to new revenues in 2017. Notwithstanding these successes on the sales side, we recorded a very negative result in the past fiscal year.

"On the sales side, we are very satisfied with the course of business."

INTERVIEW WITH TOBIAS KAULFUSS, CEO

› What are the main reasons for the loss?

One reason is that asknet's Academics Business Unit was unable to close several large software deals of the previous years within the reporting period. We assume, however, that these transactions can gradually be implemented in 2017. Another reason is that the new clients within the eCommerce Solutions Business Unit increase revenue with asknet step by step. Thus, we expect profits to grow in 2017, but have a full-year impact from 2018 on.

Most importantly, however, we had to pay dearly for failings of the past in 2016. In mid-2016, we had to learn that a 2011 amendment of Norwegian tax law may not have been fully considered in our compliance system at the time. As a consequence, we had to put up substantial financial and human resources for the potential retrospective VAT payment including interest, penalties as well as legal and consulting expenses, which resulted in a significant loss in the fiscal year 2016. Against the background of the promising repositioning of our Group, this was very bad news.

"Redemption of failings of the past"

› **What is the status quo of the negotiations with the Norwegian authorities? Do you know the actual amount of the financial charges by now?**

We expect to receive a final tax assessment notice from the Norwegian authorities any time soon, probably before the end of the first half of 2017. At this stage, it looks as if the retrospective payment will be somewhat lower than previously expected, which means that we were able to release part of the provision at the end of the year. Most likely, the current provision and the advance payment already made cover the expected maximum amount. Moreover, we continue to examine the possibility of enforcing liability claims in order to further minimize the damage.

› **What measures have you taken with regard to risk management?**

We had started to revise our risk management system already in 2015. Needless to say, we intensified our efforts and made our processes more professional in the light of last year's events and have now installed a completely revised risk management system. Our new risk management system is based on a Code of Conduct, which was developed in cooperation with a law firm specializing in corporate compliance and greatly improves the way we manage risks. Moreover, we instructed one of the top 4 auditing firms to reassess the risks arising from our business activity with regard to global value added taxes. Except for the case already known, no other findings were made. Going forward, we will seek permanent and more comprehensive external advice with regard to external risks.

"New risk management system based on a Code of Conduct"

› **What have you done in response to these failings?**

It is important to make it clear that the incident happened in the past and that the people now in charge were not involved in the failings that were made in 2011. And as annoyed as we are about the financial consequences, we also see a healing effect. Because the importance of this issue enabled fundamental changes which otherwise might not have been possible for us. Especially the organizational reform implemented in the fourth quarter helped us to fully eliminate outdated working structures and to improve our company's very core.

› **What were the exact measures that were taken in the context of the organizational reform and what will be their effect on operations?**

Both business units have been enabled to operate independently and, most importantly, in an entrepreneurial manner. The main back-office departments have been integrated into the business units, giving the latter full customer and product responsibility all along the value chain from sales to technical implementation to customer service. This ensures more stringent sales planning, faster implementation of new projects and reduced response times for customer support. Moreover, development and technological innovation tasks, which also used to be handled by the technical back-office departments in addition to the operating activities, have been concentrated in the newly established Technical Product Management Department. We can thus push ahead with the identification and development of innovative products and processes independently of the operational business. The Digital Goods and Physical Goods Business Units have been merged into asknet's eCommerce Solutions Business Unit in order to leverage synergies.

"Development tasks have been concentrated in the newly established Technical Product Management Department."

› **asknet's eCommerce Solutions Business Unit is currently recording strong customer interest. How do you intend to keep up this momentum in view of the strong competitive pressure?**

In the context of our repositioning exercise, we have evaluated our markets internally and externally and identified several strategic competitive advantages for our eCommerce Solutions Business Unit which our sales organization will now exploit more effectively. A focus will be placed on communicating the advantages of the "merchant of record" model and the possibility of fast, global internationalization offered by asknet. Since the latest reorganization, we have caught up strongly in terms of price competitiveness and marketability and currently see an edge in terms of marginal costs. asknet is also special in that we are able to offer digital goods as well as the related physical goods on a global scale. We intend to enter into new sales partnerships in order to tap additional customer segments for this business unit. We also plan to further develop our eCommerce Suite to open up room for stand-alone products on the basis of individual features of the suite.

"Since the latest reorganization, we have caught up strongly in terms of price competitiveness and marketability."

› asknet's Academics Business Unit remained below plan in 2016.

How will asknet position itself in this segment in the current fiscal year?

Our portals remain the only relevant electronic procurement solution for software and hardware at research and university institutions in the German-speaking region. The asknet portals are deeply integrated into the IT environments of academic customers and we are the only single source provider of software and hardware.

The results of 2016 should not be overrated. The work invested in the individual deals which have not happened, yet, will materialize successively. However, we must take better advantage of our market position. This year will see us focus primarily on increasing the number of transactions on the existing portals by intensifying our sales activities. Moreover, we aim to increase both sales revenues and earnings per customer significantly by expanding our customer-specific services and solutions. In the long term, this will also further reduce the business unit's dependence on larger individual deals. As far as our market coverage in German-speaking countries outside Germany is concerned, there are still some "white spots" which we want to cover as well.

› **What role will the new Technical Product Management Department play in the future?**

The vertical and horizontal productization of our portfolio of services and solutions and the development of new innovative products and processes will be one of our main projects in the coming years. In the past, our technical departments acted somewhere between innovation and operations and were not set up to manage innovative development projects on a large scale. The new department now has the room that is needed to provide technical extensions to existing solutions on the one hand and to develop new innovative technical products on the other hand. First, the market and customer requirements are identified and specified in a multi-stage process; innovative ideas are then turned into products, subjected to an efficiency analysis, developed, tested and finally launched in the market. One of our current projects involves the provision of additional features and self-service functions for the asknet eCommerce Suite. Moreover, we want to gradually merge our academic procurement portals and standardize the available functions.

"Vertical and horizontal productization of our portfolio of services and solutions"

› What objectives have you set yourself for the fiscal year 2017?

Since 2014 we have been working to eliminate the shortcomings that are mainly rooted in the large-scale savings implemented in 2011 and 2012. But fundamental changes do not happen overnight and our change process has not been completed, yet. Following the far-reaching structural changes of the past two years, 2017 will see us focus on implementing the details of our processes and objectives. Supported by lasting market trends, we will push ahead with our strategic core objective of productization. This is the only way to increase our share of total value added and offer competitive products and solutions in a dynamic market. Our target is to generate earnings before taxes (EBT) of 10 percent of our gross profit in the medium term.


On the operational side, we have already reached an important turning point towards sustainable growth. Thanks to a new, customer-oriented approach and a proactive sales focus in our markets, we have been able to broaden the sales basis of the eCommerce Solutions Business Unit and to establish a large number of new customer relations. We now want to start up the new shops quickly and continue the positive trend on the sales side. The Academics Business Unit will primarily focus on implementing the software sales that we failed to make in 2016.

Based on our change programmes to date, we will be able to further reduce our production costs already in 2017. At the same time, however, extraordinary expenses will again be incurred in 2017 to complete the change process. We also plan to step up our investments in development. As gross profits increase, we will therefore clearly improve our operating result in 2017 compared to the previous year. At the bottom line, however, we will still post a negative result in the present scenario. Should asknet's Academics Business Unit be able to successfully sell a large-scale project in the current fiscal year, this would have an additional positive effect on earnings. Moreover, we have a realistic possibility to either reduce a potential retrospective tax payment or compensate for it in the current fiscal year. In 2018, we then want to take a significant step towards our medium-term margin target.



eCOMMERCE
SOLUTIONS

SPECIALIZING
IN **GLOBAL**
SALES OF
DIGITAL AND
PHYSICAL GOODS



asknet's eCommerce Solutions Business Unit develops and operates online shops for vendors of digital and physical goods, handling the sales process along the complete e-commerce value chain from product selection and payment processing to delivery of the product to the end customer. The asknet eCommerce Suite offers maximum flexibility and scalability, enabling companies to engage in global digital and physical goods distribution quickly and smoothly. Acting as merchant of record, asknet handles all currency, payment and VAT related tasks.

Currently, the focus is on the vertical and horizontal expansion of the business activity through productization of the portfolio and the development of innovative products with a higher profit share in the value chain. This also includes the provision of additional features and self-service functions for the asknet eCommerce Suite and for asknet Verify.

COMPANY

Steinberg Media Technologies GmbH

HEADQUARTERS

Hamburg, Germany

SECTOR

Software

SERVICES

Software and hardware for musicians and music, video and film producers

CUSTOMERS/USERS

Private and professional users

WEBSITE

www.steinberg.net



ABOUT STEINBERG

Steinberg, a Yamaha Group company, stands for professional music and audio software and hardware worldwide. Since 1984, the company has developed, produced and sold innovative products for musicians and producers in the fields of music, film, post production and multimedia. Steinberg products are used by Grammy and Academy Award winning composers, sound engineers and producers. Since 2009, the company has additionally provided highly developed license management and copy protection systems for business clients. Today, Steinberg is one of the world's largest manufacturers of music and audio software and hardware, with several million users worldwide.

REQUIREMENTS

To sell and market its products, Steinberg Media Technologies GmbH needs an eCommerce solution provider covering the complete online purchasing process. This comprises both the sale of software and direct distribution of hardware to end customers all over the world. In addition, special offers for selected target groups need to be managed.

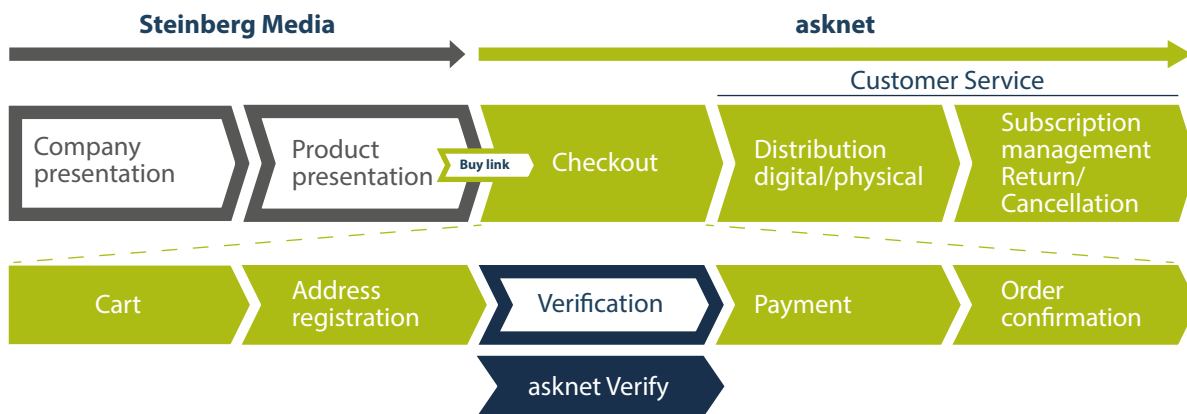


IMPLEMENTATION

Steinberg uses the asknet eCommerce Suite to realize the complete worldwide online sales process and direct distribution to the end customer. This comprises all the key components, i.e. checkout, payment, delivery and customer service.



After having clicked the "Buy" button, the customer is taken to the asknet eCommerce as a service platform, which has the look and feel of the Steinberg site. The platform ensures the country-specific presentation of prices, currencies, taxes, payment methods and delivery options. Besides the checkout process, the asknet service also includes automated e-mail communication with the customer as well as a functionality for answering customer inquiries on the phone. As the merchant of record, asknet also performs all currency, payment and VAT related tasks. After having purchased a software program, the customer receives a download link and the corresponding license key. When software boxes or hardware are purchased, asknet initiates the delivery with the logistic partners. All purchases and related additional information can be viewed using an online reporting tool.



With the integration of asknet Verify, Steinberg additionally ensures that special offers for certain target groups, e.g. for customers from the education sector (students, teachers, etc.) or special offers for users of competitor products (“crossgrades”) are sold only after the customer’s eligibility has been successfully verified.

THE RESULT

By outsourcing the online sales process including all related tasks such as logistics, payment and fraud management, Steinberg did not need to build up resources for the complex operation of an international e-commerce organization and can focus its online activities to addressing target customers and presenting its products.



WHY ASKNET?



Given the vastly greater volume of transactions processed on the asknet platform, Steinberg benefits from technical and commercial economies of scale especially where payments are concerned. The high-performance systems architecture of the asknet products meets high availability standards to handle campaigns, product releases and updates. In addition, asknet ensures both the secure, verified transmission of license keys for software products and the swift worldwide delivery of hardware.

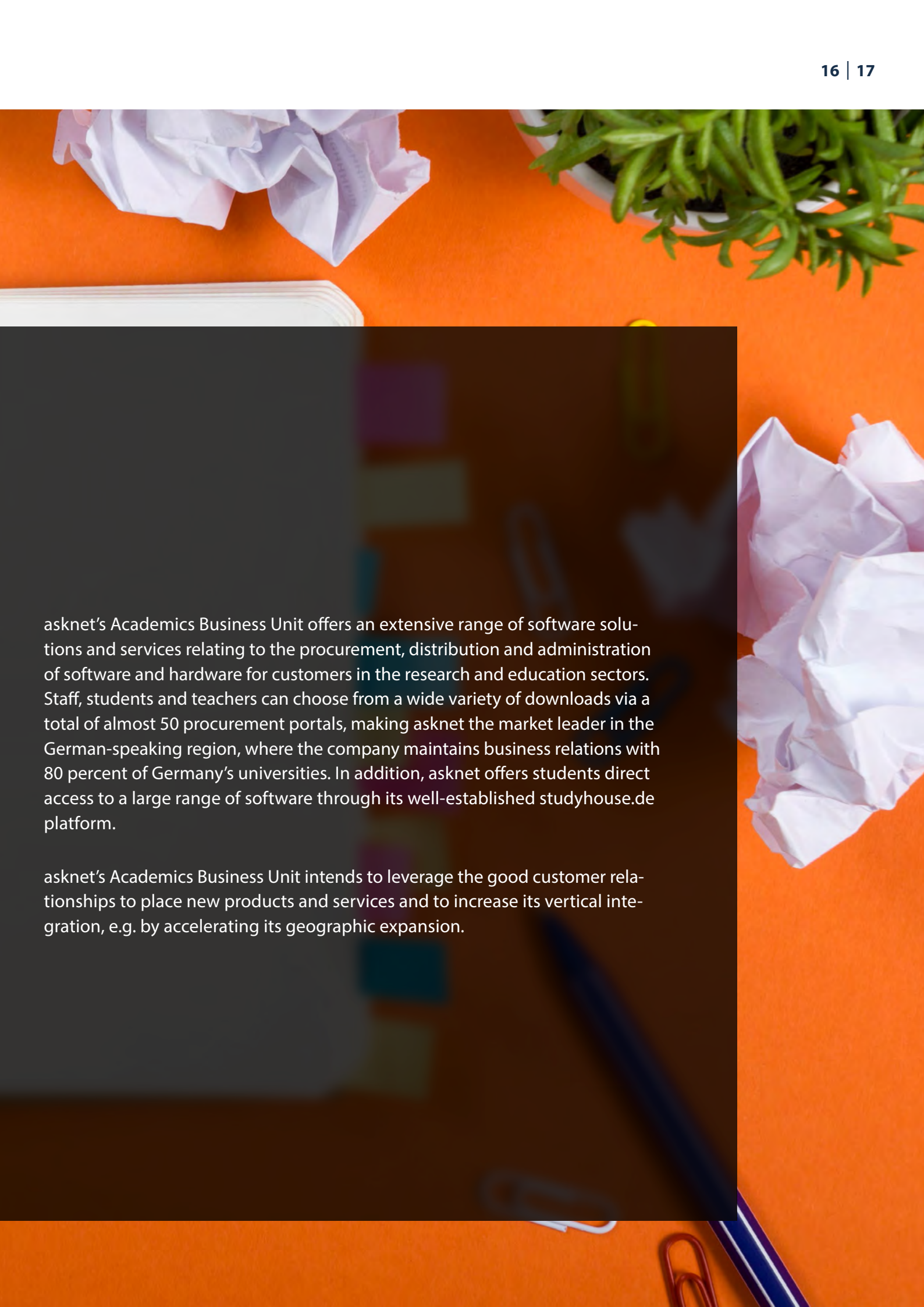


“The benefits of cooperating with asknet are plain to see – when choosing a global solution for our online sales process, the preconditions were that it is easy to integrate, delivers a high conversion rate and facilitates both automatic and manual verification for our special offers. asknet is a partner who can implement this swiftly and inexpensively.” DANIEL RÖPER, DIRECTOR OF DIGITAL AT STEINBERG MEDIA TECHNOLOGIES GMBH



ACADEMICS

A **RELIABLE**
PARTNER FOR
RESEARCH
AND EDUCATION

The background of the page is a photograph of a desk with an orange surface. In the top left, there is a pile of crumpled white paper. In the top right, a small green succulent plant is in a white pot. In the bottom right, a blue pen and a red paperclip are visible. A large, dark, semi-transparent rectangular area covers the middle of the page, containing two paragraphs of white text.

asknet's Academics Business Unit offers an extensive range of software solutions and services relating to the procurement, distribution and administration of software and hardware for customers in the research and education sectors. Staff, students and teachers can choose from a wide variety of downloads via a total of almost 50 procurement portals, making asknet the market leader in the German-speaking region, where the company maintains business relations with 80 percent of Germany's universities. In addition, asknet offers students direct access to a large range of software through its well-established studyhouse.de platform.

asknet's Academics Business Unit intends to leverage the good customer relationships to place new products and services and to increase its vertical integration, e.g. by accelerating its geographic expansion.

COMPANY	ABOUT THE RWTH AACHEN IT CENTER
RWTH Aachen IT Center	The role of the RWTH Aachen IT Center is to support the university's central processes as well as to provide basic and customized services for its various institutions. In addition, the IT Center supports the field of Simulation Science, which plays an important part in the university's "Strategy 2020". The clients and users of the (IT) services provided by the IT Center comprise not only students, staff and facilities of RWTH Aachen but also other universities as well as external research institutions and enterprises.
HEADQUARTERS	
Aachen, Germany	
SECTOR	
Education	
SERVICES	
Central processes and IT services for RWTH Aachen	
WEBSITE	
www.itc.rwth-aachen.de	

REQUIREMENTS

Ordering and implementing software and hardware is a complex, time-consuming and expensive activity for universities and other academic institutions. At the same time, researchers rely on the fast delivery of the required academic software.

Given that responsibility for the purchase of software rests with the individual institutes of RWTH Aachen, the IT Center depends on a decentralized system to ensure that the respective roles and privileges are assigned to the right persons and that their authorization to purchase hardware and software can be verified reliably.



IMPLEMENTATION

The asknet portal is integrated into the existing customer infrastructure, thus enabling the efficient realization of all steps that are necessary to process an order. From the point of view of the researchers and teachers, the swift ordering process that is integrated into the process infrastructure of the RWTH Aachen IT Center is of great help.

asknet uses the Shibboleth authentication and authorization system to verify the roles and rights of staff members or students logging in into the software portal in real time and in cooperation with the research and education facilities. Users are granted access to the asknet software portal only after positive verification of their status.



RESULT

Shibboleth and the dynamic assignment of roles during the transaction process have resulted in a cascaded approval procedure which helps to check both the financial and the technical aspects of a purchase and to evaluate them in terms of the required authorization.

The RWTH Aachen IT Center uses various parameters from the identity management system to enable additional components such as an intelligent shopping cart, a license management tool and the processing of the goods purchased.

Acting on behalf of the RWTH Aachen IT Center, asknet handles the complete process of manually and automatically verifying students' entitlement to buy discounted products. The procurement portal of the RWTH Aachen IT Center additionally integrates the related framework agreements and purchasing policies for the complete product portfolio.

This way, the RWTH Aachen IT Center offers staff and students from research and education a seamless service that is available anywhere, anytime.



WHY ASKNET?

Coordinating the procurement, distribution and billing of software and hardware in the academic sector is a complex process. The asknet procurement portal, which has been tailored to the specific requirements of the RWTH Aachen IT Center, and the integration of the Shibboleth identity management system allow the university to optimize its IT procurement significantly.



“The integration of the ordering processes into our identification, authorization and approval processes means huge time and cost savings for us.” DR. THOMAS EIFERT, CTO OF THE IT CENTER OF RWTH AACHEN

TECHNICAL PRODUCT MANAGEMENT

The new Technical Product Management Department was set up in November 2016 to push ahead with the productization and further development of asknet's services and solutions portfolio. The installation of a new department will facilitate focused product development separately from operational customer projects. The Technical Product Management Department services the technical basic landscape of asknet's two Business Units, Academics and eCommerce Solutions, plans the strategic further development towards a systematic product roadmap and release cycles and implements general feature requests from the business units.

In addition, the department supports features and more far-reaching innovation approaches resulting from a newly established internal business development process.

TASKS

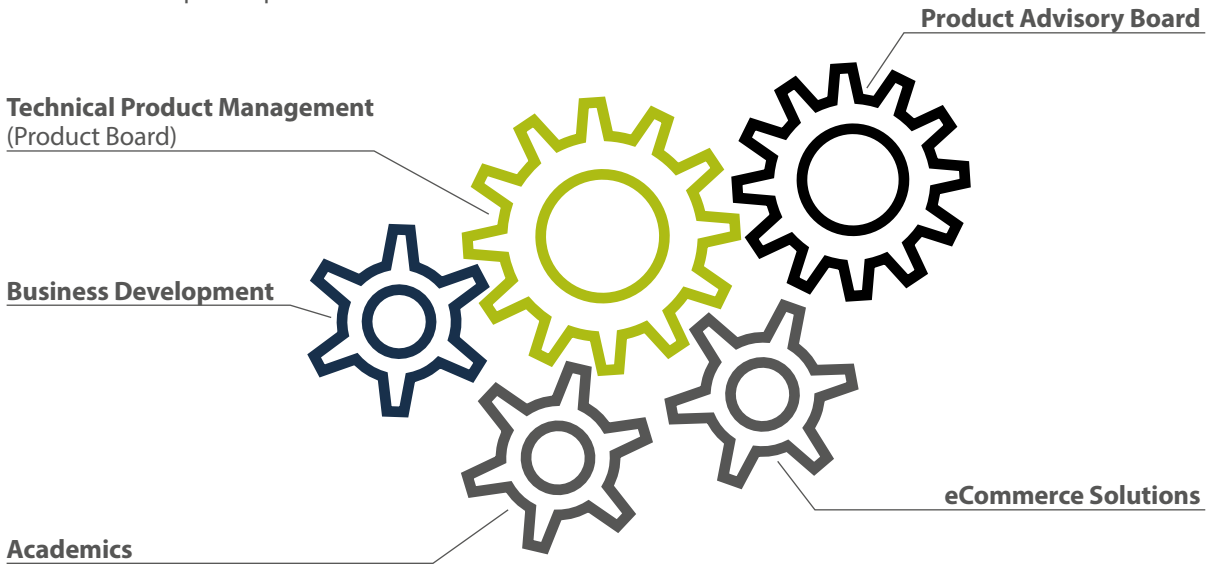
- › Installation and management of the processes required for product development
- › Sustainable technical development of the asknet products and technological platforms and infrastructure
- › Creation of a flexible open product structure for swift adaptation to new technological conditions
- › Roadmap, release cycles, technical documentation and sales support

APPROACH

The approach taken by the new Technical Product Management Department is also based on the concept of agile software development. An open roadmap defines projects and innovation plans with release cycles which are continuously reviewed and reassessed on the basis of the progress made and the market requirements.

A new Product Board, which is composed of the Management Board and other experts from the business units, discusses and decides on the use of resources.

In addition, existing customers and partners are involved in the further development of products via a Product Advisory Board to ensure that their needs and requirements are translated into marketable innovations swiftly and in a target-oriented manner. New product ideas are designated for implementation via the business development process.



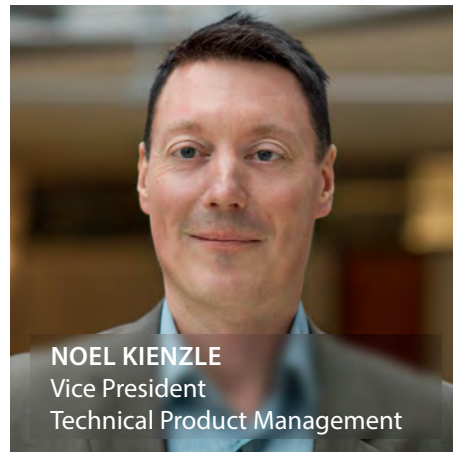
OUTLOOK

Initial product extensions such as conversion-increasing workflow optimization and revenue-increasing marketing features of asknet's eCommerce Solutions Business Unit were implemented already in late 2016/early 2017. Further optimization projects are planned until mid-2017; these will be pushed ahead for market launch in the course of the year.

The next months will see a focus being placed primarily on new measures for optimizing implementation times, flexibilization and modularization and for increased opening to external systems and technologies. Extensive usability improvements and the optimization for different terminals are also on the agenda.

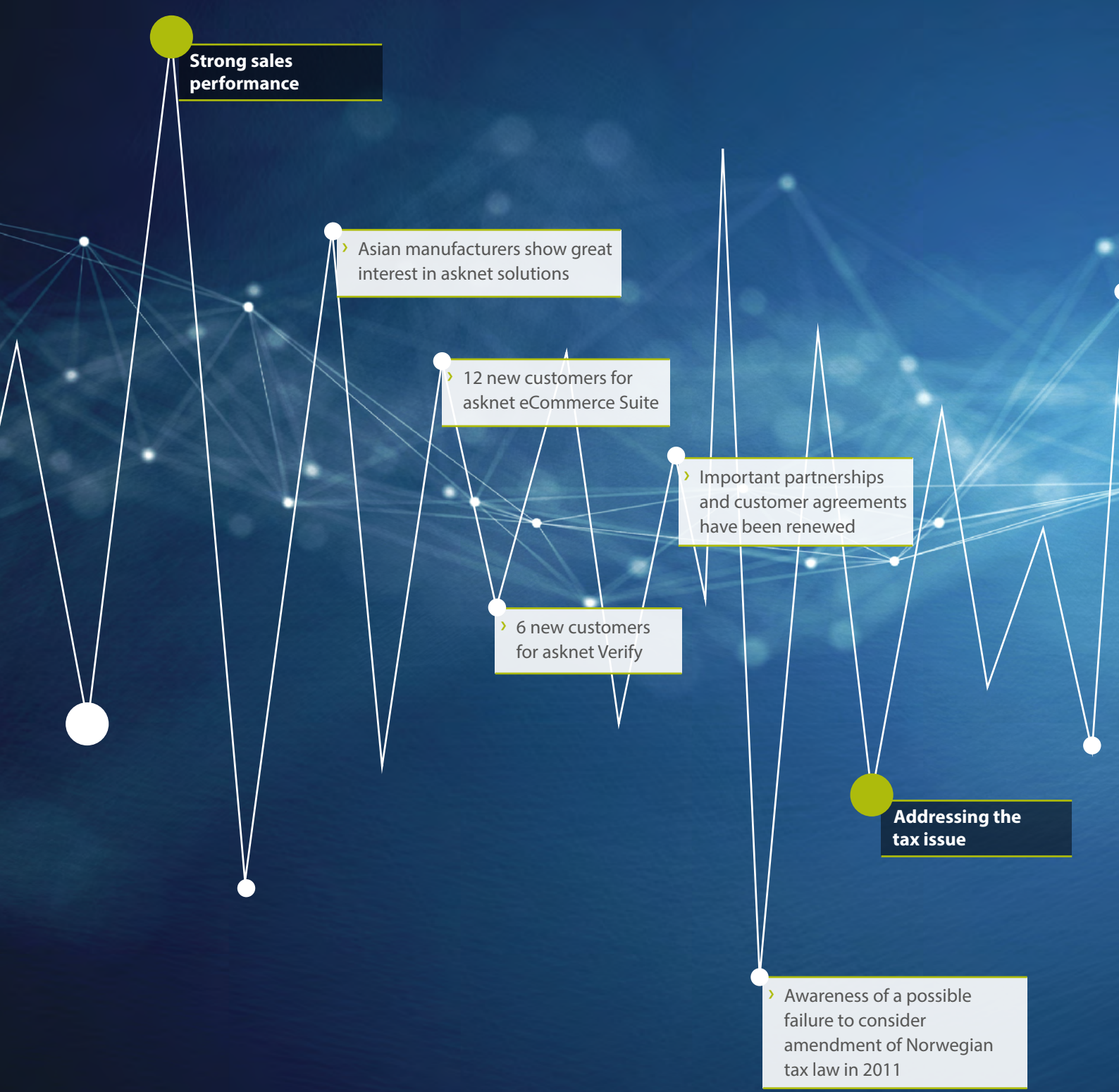


CONTACT:



NOEL KIENZLE
 Vice President
 Technical Product Management

2016: A YEAR OF STRONG CONTRADICTIONS



Strong sales performance

> Asian manufacturers show great interest in asknet solutions


> 12 new customers for asknet eCommerce Suite

> Important partnerships and customer agreements have been renewed

> 6 new customers for asknet Verify

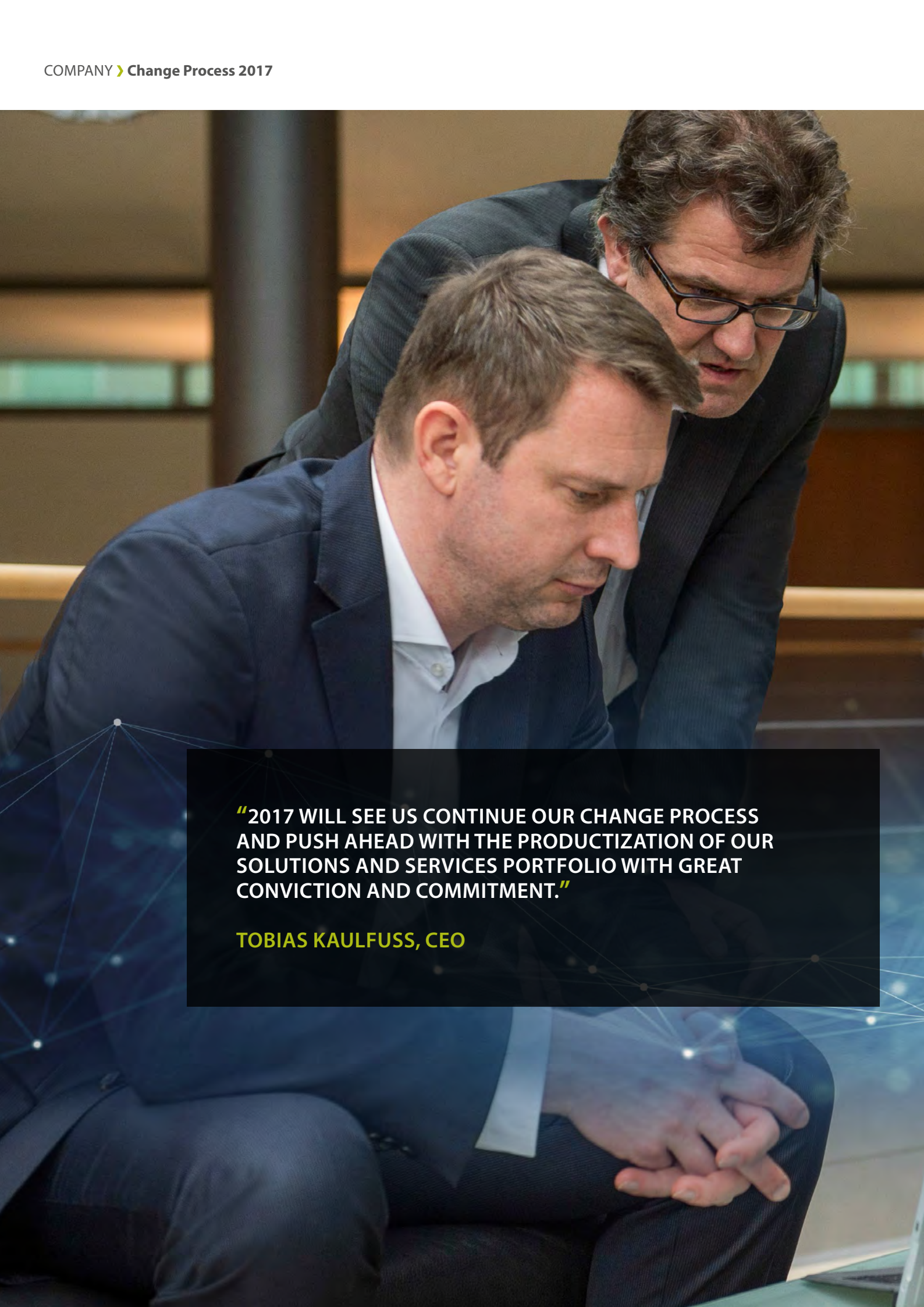
Addressing the tax issue

> Awareness of a possible failure to consider amendment of Norwegian tax law in 2011



Continuation of the change process

- › Retrospective tax payment probably somewhat lower than assumed
- › Loss recognized in annual accounts
- › Change initiative H1/2016 to optimize internal processes
- › Extraordinary expenses from change initiative (H1) more than offset
- › New risk management system and Code of Conduct implemented
- › Organizational reform as of November 1, 2016
- › Innovation tasks pooled in Technical Product Management Department

A photograph of two men in business suits. One man is seated and looking down at a laptop screen, while the other man stands behind him, leaning over and looking at the same screen. The background is a blurred office environment with warm lighting. A decorative graphic of a network with nodes and lines is overlaid on the bottom left and right sides of the image.

"2017 WILL SEE US CONTINUE OUR CHANGE PROCESS AND PUSH AHEAD WITH THE PRODUCTIZATION OF OUR SOLUTIONS AND SERVICES PORTFOLIO WITH GREAT CONVICTION AND COMMITMENT."

TOBIAS KAULFUSS, CEO





COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR*

FROM JANUARY 1 TO DECEMBER 31, 2016

GENERAL INFORMATION ABOUT THE GROUP

CORPORATE STRUCTURE AND BUSINESS MODEL

asknet is an innovative provider of e-commerce solutions for the global electronic distribution of digital and physical goods. The company has over 20 years of experience in the development of global e-commerce solutions, which makes it a pioneer of e-commerce. asknet enables manufacturers across the globe to successfully distribute their products online and organizes the procurement, distribution and management of software and hardware for customers from the research and education sectors. In the fiscal year 2016, the company was divided into three business units.

asknet's Digital Goods Business Unit develops and operates online shops for manufacturers of digital products and handles the purchasing process from product selection to payment

processing to delivery of the goods to the final customer. Products and services that are specifically tailored to the needs of this customer group such as an InApplication Cart or licensing and cloud services make asknet the ideal partner for software manufacturers and producers of digital content.

asknet's Physical Goods Business Unit offers manufacturers of physical goods its expertise all along the e-commerce value chain. The focus is on medium-sized manufacturers planning a quick start of their global e-commerce operations or wishing to internationalize their shop. asknet plans and implements integrated, international shop and shopping processes and handles the international payment and logistic process, localizations and customer service.

* In the report for the fiscal year 2016 asknet makes use of the option to publish a combined management report for asknet Group and asknet AG. The combination of the Group management report and the management report of the parent company greatly increases the comprehensibility of the report.

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asknet's Academics Business Unit offers a comprehensive range of software solutions and services relating to the procurement, distribution and management of software and hardware for customers from the research and education sectors. Via software procurement portals and master agreements, the company maintains business relations with over 80 percent of Germany's universities. In addition, asknet distributes a wide range of software solutions for students via its well-established "studyhouse.de" platform.

With a view to leveraging synergies, asknet's Digital Goods Business Unit and asknet's Physical Goods Business Unit were merged to form the new eCommerce Solutions Business Unit with effect from November 1, 2016.

asknet's outsourcing solutions stand out with their unrivaled coverage, flexibility and adaptability. The company's online

shops support some 30 languages and enable customers to sell their products in more than 190 countries around the world. Shops are tailored to the specific requirements of each country. asknet's global e-commerce portfolio features more than 40 different payment methods and customer service in over 10 different languages.

asknet AG (the "company"), headquartered in Karlsruhe, is the parent company of asknet Group ("asknet", the "corporation", the "Group"). As of the reporting date December 31, 2016, the company directly held all the shares in asknet Inc., San Francisco, USA, asknet K.K., Tokyo, Japan, and asknet Switzerland GmbH, Uster, Switzerland. The subsidiaries are responsible for end customer service and are involved in the Group's sales activities. asknet Switzerland GmbH explicitly serves as a sales office for asknet's Academics Business Unit in the attractive Swiss university market.

CONTROLLING SYSTEM

Group planning and controlling are essentially based on the following key performance indicators: gross profit, gross profit margin and earnings before taxes (EBT). asknet being a reseller and distributor of digital and physical goods, sales revenues are only of limited relevance as a performance indicator of the Group, given that sales figures merely document the amounts of product sales handled via asknet. Transaction revenues, which additionally include external sales handled with the help of asknet solutions are a purely technical quantity. asknet receives a service fee for the provision of its technical solutions. The core performance of asknet, i.e. the handling of the purchasing, payment and delivery process of a product, is thus shown only at the gross profit stage. This is why the gross profit margin is determined based on the ratio between gross profits and the portion of sales revenues that is relevant for accounting purposes.

The aim of asknet Group is to achieve a positive trend in gross profits and earnings before taxes (EBT) in order to increase the financial scope for ongoing technological and strategic development and improve the company's competitiveness. Reinvestments in corporate development and technology are the basis for success in the e-commerce market, which is characterized by dynamic technology cycles and fierce competition.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY ENVIRONMENT

According to the International Monetary Fund (IMF), the world economy grew by about 3.1 percent in 2016. While the industrialized countries recorded stable growth of 1.6 percent, the emerging and developing countries grew by as much as 4.1 percent. In the USA, one of the key output markets of asknet's customers, the growth rate stood at 1.6 percent in the reporting period. According to IMF estimates, the eurozone economy expanded by a solid 1.7 percent in 2016. The German economy also grew by 1.7 percent in the reporting period.

The industries that are relevant for asknet Group include the international e-commerce markets and the global IT markets (software and IT services). As a result of the development of innovative stand-alone products such as asknet Verify, asknet's verification solution, the focus is shifting to include new markets that have to do with verification and identification. The business activities of asknet's Academics Business Unit focus on

the university sector in Germany, Austria and Switzerland (German-speaking region).

The global e-commerce market continued to grow dynamically in 2016. US market research firm eMarketer assumes that global B2C online trade increased by approx. 23.7 percent to 1.9 trillion US dollars. Online revenues in the relatively underdeveloped B2B segment also increased dynamically. According to Forrester Research, B2B online revenues in the USA alone amounted to approx. 855 billion US dollars in 2016, more than twice as much as online retail revenues (385 billion US dollars).

Innovations relating to digital payment and identification processes are gaining importance, which is due, on the one hand, to the fact that digital connectivity and technical possibilities are growing and, on the other hand, to the fact that such processes are becoming more and more widely accepted. A recent survey by IT industry association Bitkom shows that users

purchasing products online meanwhile make more frequent use of online payment services such as Paypal than of credit cards or direct debit. Only payment against invoice is even more popular. According to another representative Bitkom survey, 81 percent of Germans envisage using fingerprint identification to secure cashless payment processes in the future.

Supported by the global digitization of economic processes, the IT markets remain in growth mode. While the market analysts from Gartner say that global IT spending declined by a moderate 0.6 percent to 3.4 billion US dollars in 2016, this was primarily attributable to an 8.9 percent drop in investments in the devices market (PCs, tablet computers, smartphones). By contrast, the markets for corporate software and for IT services continued to grow, with spending climbing 5.9 percent and 3.9 percent, respectively. According to industry association Bitkom, the German IT market increased by approx. 3.6 percent to a market volume of 84.0 billion euros, with the IT software segment recording a strong 6.2 percent increase to 21.6 billion euros. Growing by 2.7 percent to 38.2 billion euros, sales of IT services also outperformed the German economy as a whole by a wide margin.

According to the German Federal Statistical Office, enrolment at German universities remained on the increase in the reporting period. At more than 2.8 million as of the 2016/2017 winter term, the number of students increased by roughly 1.8 percent compared to the 2015/2016 winter term based on preliminary figures. At the same time, public spending on universities picked up by roughly 7.5 percent from 27.9 billion euros to 30.0 billion euros (plan estimate) during the period from 2013 to 2016. Currently available figures for Austria and Switzerland also show a continuous increase in the number of students. According to Statistik Austria, their number has risen by 3.6 percent since the 2013/2014 winter term to 381,079 in the 2015/2016 winter term. The Swiss Statistical Office counted 238,756 students in Switzerland as of the 2015/2016 winter term – an increase by 15.6 percent compared to the 2010/2011 winter term.

Impact of the general market conditions on asknet Group

As a global supplier of software solutions and IT services for the online distribution of digital and physical goods, asknet continues to benefit from the shift in retail sales to the Internet and the changing user and payment behavior, which give asknet the opportunity to win additional manufacturers operating in the fast-growing e-commerce markets as new customers. New opportunities for growth will be created by the ongoing internationalization of the Group, the launch and expansion of international partnerships, the entry into new business units and the development of innovative products.

asknet's eCommerce Solutions Business Unit (until October 31, 2016: Digital Goods and Physical Goods) generally has a good position based on long-standing customer relationships for the distribution of digital and physical products. However, the market segment for merchant of record solutions, which allow manufacturers to outsource the international online distribution of their products, is at an advanced stage of development and asknet is caught in fierce competition for market share with other e-commerce suppliers resulting in price wars. However, an expanded range of products and services will open up opportunities primarily in the still growing software market, which would allow the company to leverage potential within the existing business relationships and access new digital customer groups. Future growth will also be driven by the geographic expansion of the business activity. The sale of physical products additionally helps asknet to stand out from the competition.

asknet's Academics Business Unit has high market shares in software reselling at universities and research institutions in the German-speaking region and benefits from the continued increase in student numbers in these countries. But the sale of software licenses generates only low margins. asknet therefore aims to use the good customer relationships also in this unit in order to place new products and services and to increase its vertical integration.

asknet generally benefits from very good market conditions for the use of the asknet Verify solution, as this is a fast-growing segment characterized by many potential uses. As stand-alone solutions are generally easy to integrate, the development of new products along the e-commerce value chain will allow the company to tap further attractive markets and customer groups without major entry barriers.

BUSINESS PERFORMANCE OF ASKNET AG AND THE GROUP IN 2016

Strong sales performance in 2016

The fiscal year 2016 was marked by stark contrasts. On the upside, the eCommerce Solutions Business Unit (formerly Digital & Physical Goods Business Units) achieved some major sales successes, which are primarily attributable to the changes we have initiated since the end of 2014. Building on this, asknet will push ahead with its change process and the productization of its services and solutions portfolio. A total of 18 new customers makes 2016 one of the most successful sales years in the company's history of more than 20 years. asknet Group recorded strong interest in its solutions and services primarily in Asia, where as many as 12 new customers were signed up for the asknet eCommerce Suite. Part of the new shops were implemented in the fourth quarter of 2016. These include the European shops of IObit, the world's leading system utility and security software provider. The new customer shops that are still being built up will successively go online in 2017 and contribute to the financial performance as online sales are ramped up. Furthermore, asknet was able to win six additional customers for asknet Verify, the verification solution, in 2016, among them Steinberg Media, which has been a customer of asknet for many years. Since December 2016, the asknet-based Steinberg shop has used Verify not only for granting education discounts but also for discount promotions for crossgrades, i.e. the change from other manufacturers' products to Steinberg products. asknet's Academics Business Unit

also launched two new procurement portals and renewed important partnerships, which will lead to new revenues in 2017. The Swiss subsidiary established in 2015 also provided clearly positive impulses in 2016. However, the operating performance of asknet's Academics Business Unit was mitigated by the fact that, unlike the previous years, several large software deals did not materialize in 2016, as the demand on the customer side did not result in the anticipated orders. It is safe to assume, however, that these transactions can be realized successively, but not in blocks, in 2017.

Tax issue in Norway addressed, risk management system reformed

The fiscal year 2016 was also adversely affected by failings of the past; to manage these failings, asknet had to put up substantial financial and human resources in the second half of 2016. In mid-2016, asknet learnt that the company should have charged and paid value added tax on online sales to Norwegian customers made in the past. This is due to an amendment of the Norwegian tax law dating back to 2011, which may not have been fully considered in the company's compliance system at the time. Following thorough internal and external investigations by an auditing firm, the Executive Board of asknet AG established a provision of 1.61 million euros as at June 30, 2016 in compliance with its duty under German law to exercise commercial prudence. In the meantime, the company has made a first advance payment to reduce the interest burden and released part of the provision as of the end of the year, as the retrospective tax payment will probably be somewhat lower than previously projected. A formal tax assessment notice from the Norwegian authorities is expected to be received any time soon, probably before the end of the first half of 2017. Most likely, the current provision and the advance payment already made cover the expected maximum amount. Moreover, the company continues to examine the possibility of enforcing liability claims in order to further minimize the damage.

As this issue was addressed, the internal risk processes were revised from scratch and a new risk management system was installed in the second half of 2016. The new risk management system is based on a “Code of Conduct”, which was developed in cooperation with a law firm specializing in corporate compliance and greatly improves the way risks are managed. Moreover, a leading management consultancy has reassessed the tax treatment risks of the company’s business activity and found that, except for the case already known, the tax treatment in the shops operated by asknet is consistent with the current tax legislation in the countries of origin and delivery. Going forward, asknet will seek permanent and more comprehensive external advice with regard to external risks. In particular, the ongoing monitoring and review of local tax laws have been outsourced to external consultants.

Change process continued

The change process implemented in the past fiscal year entailed vital strategic and operational improvements which will make asknet faster, more innovative and more efficient.

In the first half of 2016, asknet conducted a comprehensive change initiative with the aim of analyzing and increasing the financial and strategic contribution made by internal workflows and processes. The measures resulting from the change program will make processes and structures more efficient and thus lead to annual operational savings of roughly 300 thousand euros. The savings materialized almost entirely in the second half of the year, which means that the extraordinary expenses resulting from the program were more than offset.

The failings of the past identified in the context of the potential retrospective tax payment clearly show that the change process was absolutely necessary. As a consequence, asknet

stepped up its efforts to reform the company in the second half of the year. The organizational reform implemented with effect from November 1 marks one of the most far-reaching changes in the company’s history of over 20 years. The reform effectively addresses structural shortcomings and has a strong impact on the everyday work of the company’s employees. The main back-office departments have been integrated into the Business Units, giving the latter full customer and product responsibility along the value chain from sales to technical implementation to customer service. This ensures more stringent sales planning, faster implementation of new projects and reduced response times for customer support. Moreover, development and innovation tasks, previously performed by the technical back-office departments besides their operating activities, have been concentrated in the newly established Technical Product Management Department, which will push ahead with the identification and development of innovative products and processes independently of the operational business. After all, the generation of new growth hinges on the vertical and horizontal productization of the services and solutions portfolio and the development of new innovative products and processes. The newly established department now has the room for maneuver that is needed to provide technical additions to existing solutions on the one hand and to support the development of new innovative products on the other hand. In this context, the market and customer requirements are first identified and specified in a multi-stage business development process; innovative ideas are then turned into products, subjected to an efficiency analysis, developed, tested and finally launched in the market. The approach is based on the concept of agile software development. Projects and innovation approaches are not finally determined but are continuously adapted and advances and obstacles are regularly recorded and reassessed.

SALES REVENUES AND EARNINGS

asknet Group is not satisfied with the course of business in 2016. In view of the provision established for the potential retrospective tax payment in Norway as of June 30, the Executive Board had downgraded its earnings forecast for the Group already on June 24 and projected negative Group earnings after taxes (EAT) of between –1.7 million euros to a maximum of –2.5 million euros for the fiscal year 2016. The company had originally expected the gross profit margin, gross profits and earnings before taxes (EBT) to be slightly higher than in the previous year. Based on the annual accounts for the fiscal year, the Group's earnings after taxes (EAT) of –2.50 million euros were in line with the adjusted forecast for the reporting period.

The following paragraph provides a detailed description of the Group's and asknet AG's sales and earnings performance.

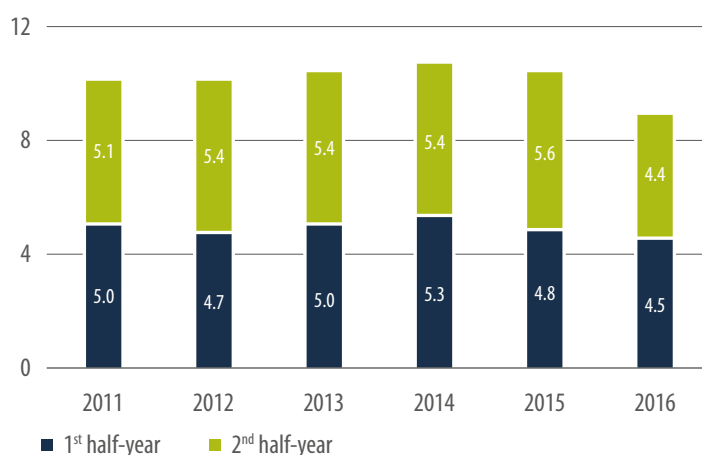
In the fiscal year 2016, the three business units of asknet Group handled approx. 1.39 million transactions. Transaction revenues declined by 11 percent to 73.96 million euros (previous year: 83.20 million euros). Sales revenues, which form the basis for the Group's gross profits used to cover its costs, declined by 6 percent to 68.72 million euros in the reporting period (previous year: 73.32 million euros). The reduction in transaction and sales revenues is primarily due to the fact that asknet's Academics Business Unit was unable to repeat certain major individual deals of the previous year on the same scale in the reporting period. The company assumes, however, that these transactions will successively be realized in 2017. The cost of purchased merchandise dropped by roughly 5 percent from 62.93 million euros to 59.80 million euros in line with the decline in sales revenues.

Gross profits, the key performance indicator of asknet Group, dropped by 14 percent to 8.92 million euros in fiscal 2016 (previous year: 10.39 million euros). This reduction, too, was primarily attributable to the fact that asknet's Academics Business Unit was unable to repeat the package transactions of the previous years. Given that those individual deals had

generated particularly high margins, the gross profit margin (gross profits as a percentage of sales revenues) declined from 14.2 percent to 13.0 percent at Group level. As large software deals are usually completed at the end of the year, gross profits dropped to 4.42 million euros in the second half of the year, which is a relatively low level compared to the second halves of the previous years.

Gross profits, semi-annual

in € million



As a result of the intensified sales and innovation efforts, asknet Group's personnel expenses increased by a moderate 3 percent to 5.37 million euros in the past fiscal year (previous year: 5.19 million euros). Considering that asknet's profitability declined at the same time, personnel expenses accounted for 60.2 percent of gross profits, compared to 49.9 percent in the previous year. Other operating income declined by 0.03 million euros to 0.65 million euros, primarily due to lower income from currency translation.

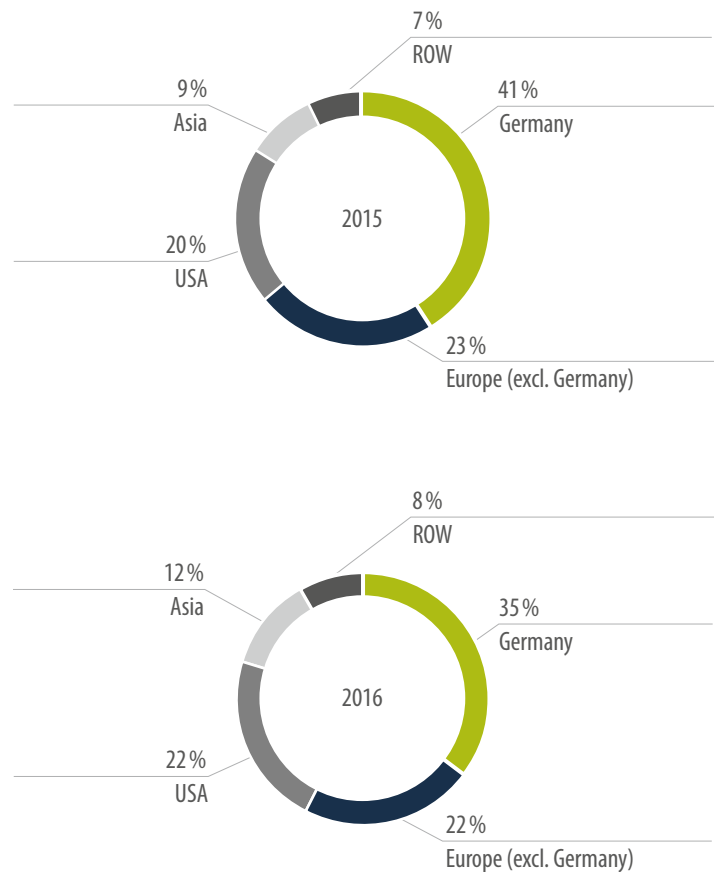
Other operating expenses increased from 5.21 to 5.35 million euros in fiscal 2016. The Norway issue had a one-time negative effect of 0.36 million euros on this item. It includes a provision for penalties, the costs of the extraordinary general meeting as well as associated legal and consulting expenses.

Earnings before interest and taxes (EBIT) for the fiscal year 2016 totaled –1.65 million euros (previous year: 0.09 million euros). asknet Group’s earnings before taxes (EBT) amounted to –1.83 million euros, compared to 0.09 million euros in the previous year. This amount includes a provision for interest on the retrospective tax payment of 0.18 million euros, which is shown under “Interest and similar expenses”. Earnings after taxes in the accounts under German commercial law amounted to –1.83 million euros, while consolidated earnings after taxes (EAT) stood at –2.50 million euros. This amount includes extraordinary tax provisions including advance payments made to the Norwegian authorities to reduce the tax burden in the amount of 0.65 million euros, which are included in “Other taxes” in the amount of 0.66 million euros. Adjusted for all extraordinary expenses incurred to address the Norway issue (tax, provision, interest, penalty) and the related consulting and restructuring expenses adjusted EBT amounted to –1.09 million euros. The operating loss which remains after the adjustment is essentially attributable to package deals not closed by asknet’s Academics Business Unit as well as to the installation of sales resources whose revenues will not be realized and reflected in earnings before 2017, as outlined above. Adjusted consolidated earnings after taxes (EAT) amounted to –1.10 million euros.

asknet Group’s international focus intensified notably in fiscal 2016 against the background of declining sales revenues. Revenues generated outside Germany represented 64.6 percent of total sales revenues (previous year: 58.9 percent). Germany accounted for 35.4 percent of the Group’s revenues, followed by other European markets and the USA (22.3 percent each). The Asian market contributed 11.9 percent to the Group’s sales revenues. The other regions accounted for 8.1 percent of total sales revenues.

Sales revenues by regions

in %



Sales revenues of asknet AG as an individual entity declined in sync with the Group’s sales revenues by approx. 6 percent to 68.72 million euros (previous year: 73.32 million euros). Transaction revenues decreased from 83.20 million euros in the previous year to 73.96 million euros in 2016. The cost of purchased merchandise dropped from 62.93 million euros by 5 percent to 59.80 million euros in the fiscal year 2016.

Gross profits of asknet AG amounted to 8.92 million euros, which was in line with the Group’s gross profits and approx. 14 percent below the previous year’s 10.39 million euros. asknet AG’s gross profits as a percentage of sales revenues reached 13.0 percent (previous year: 14.2 percent).

Personnel expenses increased moderately from 4.92 million euros in the previous year to 5.03 million euros in the fiscal year 2016.

asknet AG's other operating expenses totaled 5.72 million euros in the past fiscal year, compared to 5.51 million euros in 2015. The increase is essentially attributable to extraordinary expenses and provisions in conjunction with value added tax not paid in Norway and the related restructuring and consulting expenses.

At 0.64 million euros, other operating income was down by 0.04 million euros on the previous year. This is mainly due to lower income from currency translation.

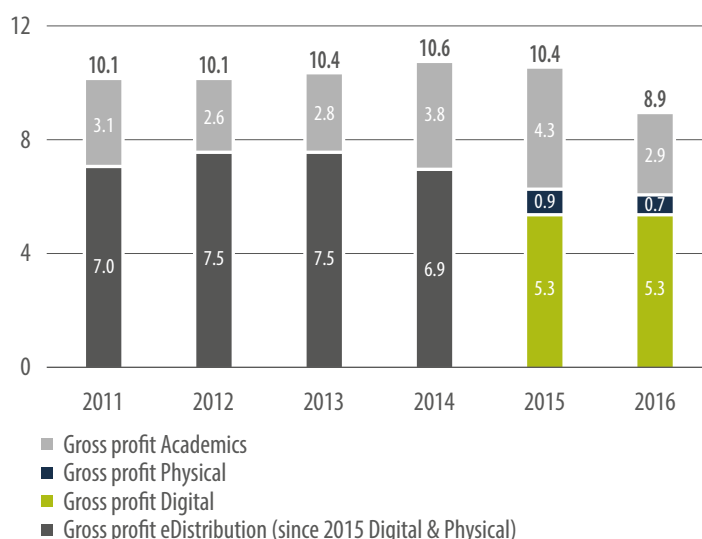
asknet AG's earnings before interest and taxes (EBIT) totaled –1.69 million euros in the fiscal year 2016. Earnings before taxes (EBT) amounted to –1.87 million euros. At the bottom line, the company posted earnings after taxes (EAT) of –2.52 million euros (previous year: 0.07 million euros). Accumulated net losses recognized in the accounts under German commercial law came to –3.68 million euros in the reporting period (previous year: –1.16 million euros).

PERFORMANCE OF THE BUSINESS UNITS

Since November 1, 2016, asknet's former Digital and Physical Goods Business Units have operated as asknet's eCommerce Solutions Business Unit, which was set up in the context of the organizational reform. For reasons of consistency and comparability, the presentation in the 2016 Annual Report is still based on the three former Business Units, i.e. Digital Goods, Physical Goods and Academics.

Gross profits by business units

in € million



The performance of the individual business units in the reporting period differed greatly across the asknet Group.

asknet's Academics Business Unit recorded a clearly downward trend in 2016. This was mainly due to the fact that profitable individual transactions of the previous years were not repeated in the second half of 2016. As a result, sales revenues dropped by 24 percent from 26.38 million euros to 19.96 million euros. Gross profits declined by 32 percent from 4.27 million euros to 2.91 million euros. The transactions not closed in 2016 are expected to be realized successively in the current fiscal year 2017, which means that revenues and gross profits will stabilize at a much higher level.

Business in asknet's Digital Goods Business Unit showed a successful trend as the business unit was able to win new customers in what remained a difficult market environment. The launch of new online shops for new clients had a particularly positive effect. Moreover, the new contracts signed for asknet Verify had a positive effect on sales revenues. As a result, revenues increased by 5 percent to 44.91 million euros (previous year: 42.86 million euros). Since some of the service provider clients had declining levels of business and their actual contribution shows up only in gross profits, this line item increased by only 1 percent to 5.30 million euros in 2016. As the new online shops handled seven-figure revenues already at the end of the fourth quarter and more new client shops will be launched in 2017, the business unit's gross profits are expected to pick up sharply in 2017.

Business in asknet's Physical Goods Business Unit showed a negative trend in the fiscal year. Sales revenues dropped from a low 4.08 million euros to 3.86 million euros, while gross profits were down by 17 percent to 0.71 million euros. As the customers of asknet's Digital Goods Business Unit and asknet's Physical Goods Business Unit continue to buy the same product, the asknet eCommerce-Suite, the expenses incurred to maintain separate organizational units were discontinued in favor of the innovation initiative. While asknet will continue to service manufacturers of physical products planning to enter the international online commerce market or wishing to expand into new markets, the company is currently no longer actively selling to this client group.

NET ASSETS AND FINANCIAL POSITION

As of December 31, 2016, asknet Group's total assets were down by approx. 6 percent on the previous year's 12.16 million euros and amounted to 11.48 million euros.

On the assets side, trade receivables were up by a moderate 0.22 million euros to 3.80 million euros as of December 31, 2016 for reporting date related reasons. At the same time, other assets declined by 0.24 million euros to 0.38 million euros. Moreover, inventories declined by approx. 0.73 million euros to 0.09 million euros as of the balance sheet date. Due to the rededication of the licences shown under inventories (519 thousand euros), they were reclassified to fixed assets. At 5.16 million euros, cash and cash equivalents were slightly below the previous year's 5.33 million euros as of the reporting date. Total current assets were down by approx. 9 percent on the previous year's 10.35 million euros to 9.42 million euros. Fixed assets climbed from 1.39 million euros to 1.83 million euros due to an increase in intangible assets.

On the liabilities side, trade payables rose notably from 3.57 million euros to 4.59 million euros. As with the receivables item, this is merely a temporary increase that is attributable to the reporting date. Other liabilities climbed from 1.01 million euros to 1.59 million euros. This was primarily due to the fact that the Japanese government introduced value added tax on software purchased abroad with effect from September 30, 2015. The resulting tax liabilities amounted to 0.35 million euros as of December 31, 2016. Total liabilities increased by roughly 35 percent to 6.18 million euros.

At 3.11 million euros, other provisions were up by 10 percent on the 2.82 million euros posted at the end of 2015. This item peaked at 3.69 million euros on June 30, 2016. As an initial advance payment has been made and the remaining claim of the Norwegian authorities is expected to be lower than originally projected, the corresponding provision has since been reduced significantly. At this stage, the remaining provision for the final tax assessment notice from the Norwegian authorities expected in the first half of the year amounts to 0.43 million euros. Among other things, a reduced amount of outstanding invoices of 2.03 million euros also had a reducing effect on other provisions.

Due to negative consolidated earnings after taxes of –2.50 million euros and a loss carried forward of 1.10 million euros, asknet Group posted a consolidated net loss of 3.59 million euros in the reporting period. This sent the Group's equity capital falling sharply from 4.13 million euros as of December 31, 2015 to 1.64 million euros as of December 31, 2016. The Group's equity ratio declined to 14.3 percent as of the balance sheet date (previous year: 33.9 percent).

In spite of the net loss for the period, the Group's cash flow was slightly positive in the fiscal year, at 0.36 million euros. The reporting date related increase in liabilities by 1.49 million euros, most of which were trade payables, and the increase in receivables by 0.94 million euros had a positive effect on operating cash flow.

The financing of the Group is managed by asknet AG, which provides the Group companies with sufficient liquid funds. Besides internal funding from the cash flow generated, the company has sufficient credit lines. Only very little use was made of these lines during the fiscal year and asknet had

sufficient cash available throughout the period. Cash and cash equivalents in the amount of 5.16 million euros will secure asknet's funding also in fiscal 2017. Should growth opportunities arise from the ongoing change process in the medium term, asknet has the possibility to use contingent capital in the maximum amount of 1.5 million euros to issue convertible bonds or warrant-linked bonds, profit participation rights or income bonds in an amount of up to 3.0 million euros within a period of five years. At this stage, there are no concrete plans to use this possibility.

Total assets of asknet AG declined to 11.33 million euros as of December 31, 2016, down from 12.05 million euros in the previous year. On the assets side, the decline is essentially attributable to the reduction in inventories and other assets. Moreover, cash and cash equivalents declined from 4.25 million euros to 4.01 million euros. Fixed assets rose by a total of 28 percent to 1.99 million euros primarily due to an increase in intangible assets. On the liabilities side, both other liabilities (+56 percent) and trade payables (+29 percent) increased notably for reporting date related reasons. As a result, total liabilities were up by 34 percent to 6.24 million euros. asknet AG's equity capital declined from 3.98 million euros to 1.46 million euros, which is equivalent to an equity ratio of 12.9 percent (previous year: 33.0 percent). asknet AG had no financial liabilities as of the balance sheet date.

CORPORATE BODIES

As of the end of the annual general meeting on July 1, 2016, Michael Neises was elected as substitute member for Marc Wurster, who had served on asknet's Supervisory Board since 2004 and resigned from office as of the end of the 2016 annual general meeting. Michael Neises is a lawyer and partner in law

firm Heuking Kühn Lüer Wojtek in Frankfurt and specializes in capital market transactions. The three-strong Supervisory Board continues to be chaired by Dr. Joachim Bernecker, with Thomas Krüger remaining in post as Vice Chairman.

On July 18, 2016, the Supervisory Board renewed the appointment of sole Executive Board member Tobias Kaulfuss until December 31, 2018 to ensure continuity in the implementation of the growth strategy.

EXTRAORDINARY GENERAL MEETING

As the provision of 1.61 million euros originally established on June 30, 2016 for the potential retrospective tax payment in Norway led to a loss of more than half of the company's share capital, asknet AG was legally obliged to hold an extraordinary general meeting, even though neither the company's going concern ability nor its solvency were in jeopardy at any time.

At the general meeting held on August 23, 2016, the company met its duty to announce a loss in accordance with section 92 paragraph 1 of the German Stock Corporation Act (AktG – Aktiengesetz). In addition, contingent capital in a maximum amount of 1.5 million euros was created and the Executive Board was authorized to issue convertible bonds or warrant-linked bonds, profit participation rights or income bonds in an amount of up to 3.0 million euros within a period of five years. This will give the company the possibility to seize growth opportunities that may arise from the change initiative and/or to make promising investments at short notice. At this stage, however, there are no plans to raise new capital.

EMPLOYEES

As of December 31, 2016, asknet Group employed 94 people including the Executive Board; 86 of them worked for asknet AG, while 8 worked for the subsidiaries, asknet Switzerland GmbH, asknet Inc., USA, and asknet K.K., Japan. Including all trainees/apprentices, asknet Group employed a total of 100 people as of the end of the year.

All employees share responsibility for the company's success. For this purpose, the Group has further refined its innovation management system (e.g. asknet.innovate), which supplies comprehensive input on the optimization of organizational processes as well as new business ideas. Going forward, innovations will be actively driven by the new Technical Product Management Department in a focused manner. In addition, all employees have the opportunity to participate in asknet. academy, a series of internal further training courses, which has met with a very positive response. As many as 19 asknet. academy events were organized in the fiscal year 2016.

OPPORTUNITY AND RISK REPORT

OPPORTUNITIES

In the fiscal years 2015 and 2016, asknet implemented several change programs involving far-reaching analyses, reforms and restructurings. These activities were aimed at fundamental strategic and operational improvements and resulted in a new corporate culture and structure which enable faster and more effective operation, provide resources for innovations and thus open up promising prospects for new growth.

Most importantly, the introduction of the new organizational structure and the integration of the main back-office activities into the individual business units facilitate a more independent and more customer-oriented approach, more stringent sales planning and faster implementation of new projects in the units while at the same time reducing the response times for customer support. Part of the resources that have been released as a result are now invested in the development of products and processes through the newly established Technical Product Management Department. The focus is on vertical expansion through productization of the portfolio as well as on horizontal expansion through the development of innovative products with a higher share in the value added. In the short term, major opportunities will arise from the development of new software-based products for university and research institutions, the provision of additional features and self-service functions for the asknet eCommerce Suite and the integration and the resulting improvements of the academic procurement portals. Moreover, the functions and features of asknet Verify can be expanded and new uses be opened up. Further areas offering substantial potential for innovation have already been identified and will be leveraged successively.

The current fiscal year will also see the company focus on operationalizing the new structures and processes. This is expected to result in further efficiency increases in the medium term, which will have a positive effect on the cost structure as well as on the sales and development performance.

asknet's Academics Business Unit partners with about 80 percent of Germany's universities and research institutions. Intensive customer care aimed at maintaining the market leadership plays a very important role in this market and will be intensified through the expansion of existing business relationships and efforts to sign up new customers. Thanks to its deep understanding of the academic market and its excellent competitive position, asknet benefits from ideal pre-conditions for identifying and leveraging new potential in this market. Upselling potential exists, for instance, in the field of software asset management, where academic institutions can outsource the complete process of selecting, procuring and managing software to asknet. In the coming years, additional growth opportunities may arise from the horizontal expansion of the existing customers in the research and educational sector. The expansion of customer-specific services and solutions will make it possible to increase revenues and earnings per customer significantly. This will also reduce the dependence on large individual transactions in this business unit. The geographic expansion, too, will open up important opportunities for winning new customers. Most recently, the Swiss sales office established in 2015 has successfully increased the penetration of the German-speaking markets outside Germany. asknet also stands a good chance of winning promising new customers in Austria, where the sales activities will be intensified in order to increase the company's market share in this country significantly.

The new eCommerce Solutions Business Unit (formerly Digital and Physical Goods Business Units) also has significant potential in the growing software markets, which asknet wants to leverage in the coming years. This has partly been achieved already in 2016, when asknet closed deals with numerous new clients. The company wants to build on this success. But the market for comprehensive e-commerce solutions for the sale and distribution of software is characterized by strong competition. To effectively seize the opportunities that arise in this area, it is important to position asknet as a relevant market player, which is why asknet will focus more strongly on communicating the company's USPs, the advantages of the merchant of record model and the possibility of fast and global internationalization. In 2016, the company already attracted great interest in the eCommerce Solutions Business Unit and was able to win several new customers, especially in Asia. As there are further potential customers, asknet intends to expand its activities in Asia in the coming years. Moreover, the sales organization will more actively communicate the market attractiveness of a cooperation with asknet, especially since the company has been able to reduce its marginal costs notably during the latest reorganization. After all, competition in the market for the digital software sales, which is a very mature market, is mainly based on the price. In this market, asknet additionally stands out from the competition through its ability to offer both digital goods on a global scale, while most of its competitors offer only one of the two product groups. In the long term, the company primarily expects opportunities to arise from the productization of its portfolio, i.e. by transforming individual modules of its e-commerce value chain into stand-alone products. The development of new products in a department specifically established for this purpose will further professionalize and accelerate the innovation process. This will open up new opportunities and potential for asknet.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In fiscal 2016, asknet Group installed a completely new risk management system, which is based on a "Code of Conduct" to raise awareness of the treatment of risks among the entire workforce and to improve the identification, analysis, assessment, monitoring and control of the latter. Under the Code of Conduct, the management and the employees of asknet AG undertake to comply with all legal regulations and the Group's internal policies. This includes compliance with all laws and statutes potentially exposing the company to criminal or civil penalties as well as with the corresponding internal policies and regulations. In addition, the Code obligates management and employees to pursue asknet's mission through ethical and value-oriented business practices at all times.

Compliance with the Code is managed and monitored with a newly installed Compliance Representative whose activities include training, information and communication measures, the investigation of violations of the law and the implementation of compliance requirements. The Compliance Officer regularly reports to the Executive Board on violations and their sanctions as well as on preventive measures and other compliance-related aspects. Where matters of fundamental importance are concerned, the Compliance Officer reports not only to the Executive Board but also directly to the Chairman of the Supervisory Board. In addition, the Executive Board regularly informs the Supervisory Board about all relevant compliance issues that are relevant for the company, especially the status quo and the functioning of the compliance management measures as well as serious violations. All business units regularly report to the Compliance Officer. The employees of asknet AG are obliged to actively participate in compliance reporting.

Under the new risk management system, all risks are reassessed at least on a quarterly basis by the Head of the Finance Department, management and the Executive Board. In the context of the new risk management system asknet currently monitors over 30 risk positions, which are divided into strategic, operational, legal and other risks. Financial risks are monitored separately through a monthly review of key performance indicators (sales revenues, gross profits, gross profit margin, earnings before taxes (EBT)) and other indicators. The aim is to use the financial figures and performance indicators to prevent potential risks from materializing and to adjust and manage the monthly and annual planning accordingly.

RISKS

The most important strategic, operational, legal and other risk positions monitored by asknet Group in the context of its revised risk management system are presented and assessed below. The strategic risks comprise corporate and industry risks as well as corporate strategic risks. Operational risks comprise performance, financial and human resources risks. In addition, there are legal and other risks.

Strategic risks

In order for the scalability of asknet's business model to develop its full potential, the company continues to depend on increases in gross profits that are independent of one-off effects or seasonal fluctuations. Whether or not a sustainable increase in gross profits is possible will depend in part on circumstances beyond asknet's control, for example overall economic developments, general consumer behavior, vendor product strategy, and the success of producers' marketing strategies as well as their products' market maturity and the resulting competitive pressure. The e-commerce sector in which asknet is active is also undergoing constant development and change. This allows for example the launch of new technologies or protocols as well as new general conditions that fundamentally influence the e-commerce market and the way products are sold online. Such developments and changes

can at times be difficult to predict, meaning that possible risk, uncertainties, financial expenses, delays and obstacles relating to activities in a rapidly changing sector must be taken into account when determining the company's prospects of success. The markets addressed by asknet are generally characterized by intense competition. If the company fails to adapt to these developments and changes, this could have a negative impact on asknet's net assets, financial position, and operating results.

The reporting and Group currency is the euro. However, some business is transacted in other currencies. For this reason, periodic fluctuations in individual currencies can affect the revenues and profits of asknet. Potential exchange rate risks related to balance sheet items and anticipated cash flows are continuously monitored by the company and hedged using low-risk foreign exchange instruments where required.

The licensing situation for rented software may change because of manufacturers' new licensing patterns, which cannot be predicted by asknet. In such a case, asknet aims to respond to changing prices by adjusting its systems and/or using different software.

With a view to their probability of occurrence, asknet believes that the risks described above – separately and collectively – do not jeopardize the company's ability to continue as a going concern.

In 2016, the contribution of the top ten customers to asknet's gross profits increased from its already high level. Their share in gross profits increased to 62 percent, up 2 percentage points on the previous year. asknet has always maintained very close, long-term customer relationships. If, however, one or more key customers decided to terminate or fail to renew their contract with asknet, this would have a negative impact on the company's net assets, financial position, and operating results. When it comes to smaller competitors, asknet faces lower risks. With its portfolio of products and services, asknet has set itself apart from its smaller competitors, especially in terms of coverage

of international markets and its flexibility in customizing its online shops. While the loss of a customer is a serious risk, its probability of occurrence is relatively low, as asknet reduces its dependence on individual customers by continuously broadening the customer base by means of new customer groups, new product groups and the successful acquisition of individual customers. By winning customers in Asia, the company also aims to reduce its dependence on key accounts and to change the composition of its top ten customers.

Another adverse effect on asknet's net assets, financial position, and operating results could arise if the expansion into other markets or new business segments turned out to be unprofitable in the long term. This is always the case when the costs associated with expansion (for localization, marketing, sales, etc.) are not more than offset by sufficient future profit growth. To prevent this from happening, the company conducts detailed analyses and reviews in a newly developed multi-stage business development process before implementing its expansion plans in order to reduce the risk of unprofitability to a minimum and check the profitability at an early stage of the process.

Another risk is associated with process optimization. Stretched resources may lead to project delays that can be quite considerable. To avoid this, the Program Office was implemented in 2016 to ensure that process optimizations can be completed as planned with the help of the program and the delegation of responsibilities. The obsolescence of fixed assets is considered a risk with a significant impact, which the company aims to mitigate by selling such assets or writing them down over the longest period possible. asknet considers the occurrence of both risks to be possible and the mitigation measures described above are therefore energetically pursued.

Operational risks

For a company like asknet, which specializes in the online distribution of software, it is particularly important to keep the risks associated with its products and services to a minimum. The risk of the infrastructure no longer being competitive is a serious risk which asknet mitigates by successively improving the IT hardware, reviewing the possibilities for outsourcing and adapting it to current standards. The company considers the probability of occurrence to be relatively low. Where software and mobile phones are concerned, there is a risk that unauthorized third-party software is installed and data security is jeopardized. asknet considers the probability of occurrence to be unlikely, as the registration and installation of tools are handled centrally and the company responds adequately to the latest developments and trends.

In addition, budget variance in terms of sales revenues could have an adverse impact on asknet's net assets, and financial position and operating results. To avoid significant impacts, the company records its sales revenues and gross profits on a monthly basis and continuously adjusts its monthly and annual forecasts on this basis. asknet considers the probability of occurrence of this risk to be relatively low.

To prevent the concentrated outflow of cash resulting from a variety of different liabilities, asknet synchronizes the individual payment flows and therefore considers both the likelihood of occurrence and the impacts of the risk to be low.

Although the equity ratio dropped sharply to 14.3 percent (previous year: 33.9 percent) inter alia as a result of, among other things, the Norwegian tax event, cash and cash equivalents of 5.16 million euros should be sufficient to prevent any financial bottlenecks in 2017. Should the company require capital in the medium term, it has the possibility to use contingent capital in a maximum amount of 1,5 million euros to issue

convertible bonds or warrant-linked bonds, profit participation rights or income bonds in an amount of up to 3.0 million euros within a period of five years. This gives the company the possibility to seize growth opportunities that may arise from the change process and/or to make promising investments if and when required. At this stage, there are no concrete plans to use this possibility.

Various risks may arise with regard to the workforce: asknet's healthy basis comprises the highly qualified people employed by the Group. Employees' strong identification with the company and their long years of service ensure that they are highly motivated and productive. The personal skills and knowledge of asknet's employees are a decisive factor for the success of asknet Group. Staff turnover, e.g. as a result of frustrated employees, entails the risk of losing these competencies and therefore losing ground to competitors. This risk is mitigated by the effective promotion and development of employees, the creation of an appropriate working environment and the use of documentation tools for the preservation of knowledge. Targeted, pro-active recruitment, including for experienced external candidates for the top management level, enhances the company's human resources pool while at the same time stimulating creative thinking and methods. In addition, the company is challenged to realistically quantify provisions for bonuses based on individual objectives. The company mitigates this risk by monitoring the achievement of objectives on a monthly basis. While asknet acknowledges the relevance of these risks, the company considers the probability of occurrence to be relatively low because of the precautions taken.

Legal risks

Legal risks may arise in different areas. These include, for instance, the failure to adapt insurance policies to changing conditions. While the impact of these risks could be significant, asknet considers their probability of occurrence to be rather low, as they are mitigated by a feedback process.

Unidentified changes in value added tax rates and changing regulations and limits represent a higher risk. After the provision for a retrospective value added tax payment in Norway was established in June 2016, asknet revised its risk management system and professionalized its processes with external assistance; as a result, changing requirements in individual countries can be identified in time and the probability of occurrence of such a risk has been reduced significantly.

On July 19, 2011, the Karlsruhe tax authority additionally issued a notification of interest charges in the amount of 763 thousand euros based on the denial of input tax claimed in conjunction with formal errors in settling accounts with software publishers. In accordance with a judgment of the European Court, asknet AG applied for a suspension of execution, which the tax authority in question approved in a letter dated July 27, 2011. Tax authorities usually only approve a suspension of execution when there are serious doubts about the lawfulness of a notice. In order to have this matter decided by court, the tax authority rejected the company's complaint on October 27, 2014 in accordance with prior notice and the company filed a timely suit against the notification in December 2014. The suspension of execution essentially remained in force. asknet's Executive Board considers it unlikely that these charges will actually need to be paid and therefore chose not to recognize the expense in the 2016 annual financial statements as in the previous years. This estimate is also based on an assessment by tax consultants Ernst & Young GmbH, a verdict issued by the European Court of Justice in a similar case in September 2016 as well as two positive decisions by the Federal Fiscal Court in two generally comparable cases in October 2016. Notwithstanding this, there is a residual risk that the company will have to bear the cost after all once it exhausts all legal efforts.

Other risks

A sudden technical breakdown or the discontinuation of outsourced IT services as well as unauthorized data access or the infection or manipulation of systems could influence the availability of shops and systems. This could not only damage the company's image but also result in financial losses, which, in turn, could have a material negative impact on asknet's net assets, financial position, and operating results. Wherever this makes sense, asknet takes specific measures to mitigate these risks.

FORECAST

ANTICIPATED MACROECONOMIC AND SECTOR-RELATED DEVELOPMENTS

The IMF expects the world economy to grow by 3.4 percent in 2017. A growth rate of 4.5 percent is projected for the emerging and developing countries, while the industrialized countries are expected to grow by 1.9 percent. According to the IMF, the US economy will expand by 2.3 percent, whereas growth in the eurozone will stay more or less at the prior year level, at 1.6 percent. A solid growth rate of 1.5 percent is projected for the German economy.

The dynamic growth in the e-commerce market will also continue in 2017. eMarketer projects a growth rate of about 22.9 percent to approx. 2.4 trillion US dollars for the global B2C online market. The US market research firm projects average annual growth of about 21 percent until the year 2020. The share in total retail sales is expected to increase from 8.7 percent in 2016 to 14.6 percent in 2020.

Overall risk position

The company's management believes that the challenges resulting from the above risks will again be mastered successfully in 2017. Besides those mentioned here, no material risks occurred or became known prior to the publication of this management report.

Global B2B e-commerce is also expected to grow strongly and reach sales of approx. 6.7 trillion US dollars in 2020, according to the market researchers from Frost & Sullivan; this would be equivalent to approx. 27 percent of total B2B commerce. According to the latest forecast by the German Retail Association (HDE), Germany's online commerce will grow by 11 percent to 48.8 billion euros in 2017. The online segment would thus represent about 10 percent of total German retail sales at the end of the year.

As the digitization of the economy continues, global IT spending will grow by 2.7 percent in 2017 according to a forecast by US analyst firm Gartner. This growth will primarily be fuelled by corporate software (+6.8 percent) and IT services (+4.2 percent). The sentiment in the German IT sector is positive, too. A recent survey carried out by digital association BITKOM among German small and medium-sized companies shows that eight in ten companies from the software (85 percent) and IT services (83 percent) sectors expect sales revenues to grow in 2017. Only 5 and 9 percent, respectively, assume that revenues will decline.

The university market in the German-speaking region will show a positive trend in the coming years. The German Ministry for Education and Cultural Affairs expects the number of first-time students to amount to 500,000 per year until 2019. According to a reference scenario of the Swiss Statistical Office, 246,000 students will study at Swiss universities in 2017/2018 and this number is expected to increase to 259,000 by 2025. Austria has announced a new university forecast in 2017, given that the current forecast of 370,000 students in 2018/2019 was exceeded by a wide margin already in the past winter term 2015/2016, when 381,079 students were counted.

COMPANY FORECAST

The change process of the fiscal years 2015 and 2016 led to the installation of a new corporate culture. The strategy of the Group and its business units was evaluated internally and externally and realigned. The company's processes and structures have been revised in several change programs and reforms, most recently during the organizational reforms of November 2016, which entailed further fundamental changes. Fiscal 2017 will now see asknet focus on operationalizing these structures, processes and objectives. For this purpose, a new program has been launched, which provides for roughly a dozen measures to be initiated in the first half of 2017; these measures serve to continue the change processes and to implement the details of the measures taken to date. The main focus will be on measures designed to standardize tools and processes and to increase the flexibility within the technological systems. Moreover, sales and operational processes of the revised business units will be improved. In doing so, the Group will benefit from the reduced production costs resulting from the change programs to date already in 2017. Freed from the burdens of the value added tax issue in Norway, for which substantial financial and human resources were required in 2016, asknet will continue to pursue the realistic possibility of achieving positive bottom line effects from this whole affair in the current year.

The current fiscal year will also see asknet Group energetically pursue its core objective of productizing its solutions and services portfolio. In this context, an important role will be played by the new Technical Product Management Department, which plans to push ahead with several innovation projects already this year. These include the provision of new software-based products for universities and research institutions and the development of new features and self-service functions for the asknet eCommerce Suite. The integration and the resulting improvements of the academic procurement portals to standardize to available functionalities will also be pushed ahead. Additional innovative products and solutions have already been identified.

asknet's approach is being vindicated by ongoing market trends on the one hand. On the other hand, the greatly improved response from customers shows that an important turning point towards sustainable growth has been reached in operational terms. Thanks to a new customer-oriented approach and a proactive sales focus, the eCommerce Solutions Business Unit has broadened its sales base and established a large number of new customer relationships. In 2017, the company intends to exploit its recently improved competitive position and to maintain the momentum on the sales side. Moreover, the implementation of new customer shops will have a positive effect on earnings in this business unit.

asknet's Academics Business Unit will primarily aim to realize the software deals it failed to close in 2016 and continue to expand existing customer relationships. In 2017, the ongoing internationalization efforts will entail an intensification of the sales activities in Austria.

In view of the positive developments in all business units, asknet's Executive Board expects the Group's gross profits to increase. The eCommerce Solutions Business Unit, for instance, plans to close deals with new customers, especially in Asia, also in the current fiscal year. Given that asknet will gradually generate higher revenues from selling products of the many new customers won by this business unit, profit contributions will again increase successively as in the previous year, but will be fully reflected in full-year results only in 2018.

As the company continues to make investments in the installation of a sustainably profitable business model, extraordinary expenses for the completion of this change process have again been budgeted for 2017. It is also planned to step up the company's investments in development. The Executive Board of asknet therefore assumes that the operating result in 2017 will be much better than in the previous year but will still be negative. Should asknet's Academics Business Unit be able to successfully sell a large-scale project in the current fiscal year, this would have a positive effect on the company's earnings.

The Executive Board and the Supervisory Board are working to offset the losses caused by the Norway issue to the extent possible. Should those mitigating efforts be effective in the current fiscal year, this would also have a positive impact on the projected result.

The Executive Board of asknet assumes that, once the current change process is completed, the measures taken to increase revenues and earnings will allow the company to generate earnings before taxes of approx. 10 percent of gross profits in the medium term. The resulting increased financial scope and the company's growing attractiveness to investors are to be used for investments in the technological and strategic further development and accelerated growth of the company through new profitable products and services, for which concrete plans already exist.

asknet AG offers its stakeholders a high degree of transparency. Above and beyond the reporting duties of the Basic Boards of Deutsche Börse (publication of annual and half-year reports), the company will also publish interim statements on the first three months and the first nine months in 2017. With the new Market Abuse Regulation coming into force on July 3, 2016, OTC issuers such as asknet AG are also obliged to publish ad-hoc announcements and directors' dealings notifications, which asknet AG had previously published already on a voluntary basis. This will further increase the transparency and security for investors. Moreover, asknet AG will continue to pursue an attractive investor relations strategy and attend investor and analyst events, for instance.

The Executive Board of asknet AG would like to thank all customers, business partners and investors for their confidence and all employees for their full effort and commitment in the difficult fiscal year 2016.

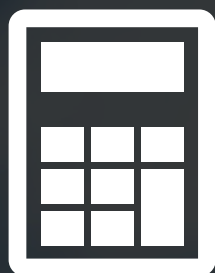
Karlsruhe, March 13, 2017

asknet AG

– The Executive Board –



Tobias Kaulfuss



ASKNET AG, KARLSRUHE

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as of December 31

in €

	2016	2015
ASSETS		
A. Fixed Assets		
I. Intangible fixed assets		
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	1,573,056.68	1,057,072.51
II. Tangible fixed assets		
Other equipment, operating and office equipment	257,686.53	334,855.57
	1,830,743.21	1,391,928.08
B. Current assets		
I. Inventories		
Merchandise	89,691.52	818,630.61
II. Receivables and other assets		
1. Trade receivables	3,800,522.85	3,576,888.88
2. Other assets	378,388.24	618,989.62
	4,178,911.09	4,195,878.50
III. Cash-in-hand, bank balances, cheques	5,156,111.60	5,332,402.97
	9,424,714.21	10,346,912.08
C. Prepaid expenses	228,229.43	419,614.63
	11,483,686.85	12,158,454.79

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	2016	2015
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital	5,094,283.00	5,094,283.00
II. Capital reserve	50,000.00	50,000.00
III. Currency translation differences	91,345.10	77,250.13
IV. Consolidated net accumulated losses	-3,590,669.78	-1,095,132.58
	1,644,958.32	4,126,400.55
B. Provisions		
Other provisions	3,106,360.87	2,823,221.00
C. Liabilities		
1. Trade payables	4,590,095.53	3,568,436.60
2. Other liabilities of which taxes € 1,410,675.35 (previous year € 898,259.17) of which relating to social security and similar obligations € 6,829.78 (previous year € 6,573.21)	1,590,002.10	1,013,782.84
	6,180,097.63	4,582,219.44
D. Deferred Income	552,270.03	626,613.80
	11,483,686.85	12,158,454.79

CONSOLIDATED INCOME STATEMENT

January 1 until December 31

in €

	2016	2015
1. Sales revenues	68,724,026.26	73,323,195.01
2. Other operating income	646,120.17	675,292.48
	69,370,146.43	73,998,487.49
3. Cost of materials		
a) Cost of purchased merchandise	-59,804,739.98	-62,930,125.55
b) Cost of purchased services	-356,131.90	-439,460.02
4. Personnel expenses		
a) Wages and salaries	-4,611,606.30	-4,454,984.40
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions € 2,252.14 (previous year € 1,903.00)	-754,241.30	-730,052.67
5. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-146,528.98	-134,338.54
6. Other operating expenses	-5,349,897.54	-5,214,687.53
	-71,023,146.00	-73,903,648.71
7. Interest and similar income	203.48	520.66
8. Interest and similar expenses	-181,255.94	-3,833.32
9. Tax refund on income and net worth	722.59	0.00
	-180,329.87	-3,312.66
10. Result from ordinary activities	-1,833,329.44	91,526.12
11. Other taxes	-662,207.76	-10,228.68
12. Consolidated net income for the year	-2,495,537.20	81,297.44
13. Accumulated losses brought forward	-1,095,132.58	-1,176,430.02
14. Consolidated net accumulated losses	-3,590,669.78	-1,095,132.58

CONSOLIDATED CASH FLOW STATEMENT

January 1 until December 31

in € thousand

	2016	2015
1. Cash flows from operating activities		
Consolidated net profit for the year before interest	-2,496	81
Depreciation, amortization and write-downs	147	134
Increase (+)/decrease (-) in provisions	282	-349
Increase (-)/decrease (+) in receivables and other assets	941	3,458
Losses on the disposal of depreciation and amortization charges on noncurrent asset	1,485	-5,508
Interest paid	2	3
Cash flows from ongoing operating activities	361	-2,181
2. Cash flows from investing activities		
Purchase of intangible fixed assets	-519	0
Purchase of tangible fixed assets	-66	-157
Interest received	0	1
Cash flows from investing activities	-585	-156
3. Cash flows from financing activities		
Proceeds from capital increase	0	100
Interest paid	-2	-4
Cash flows from financing activities	-2	96
4. Cash funds at end of period		
Net change in cash funds (subtotal 1-3)	-225	-2,241
Effect on cash funds of foreign exchange rate movements	49	106
Cash funds at beginning of period	5,332	7,467
Cash funds at end of period	5,156	5,332
5. Components of cash funds		
Cash funds at end of period	5,156	5,332

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal year 2016

in €

	Subscribed capital (ordinary shares)	Capital reserve	Net accumulated losses	Currency translation differences	Group equity
Jan 1, 2015	5,044,283.00	0.00	-1,176,430.02	49,838.31	3,917,691.29
Issues of shares	50,000.00	50,000.00	0.00	0.00	100,000.00
Consolidated net profit for the year	0.00	0.00	81,297.44	0.00	81,297.44
Other comprehensive income	0.00	0.00	0.00	27,411.82	27,411.82
Comprehensive income	0.00	0.00	81,297.44	27,411.82	108,709.26
Dec 31, 2015	5,094,283.00	50,000.00	-1,095,132.58	77,250.13	4,126,400.55
Jan 1, 2016	5,094,283.00	50,000.00	-1,095,132.58	77,250.13	4,126,400.55
Consolidated net profit for the year	0.00	0.00	-2,495,537.20	0.00	-2,495,537.20
Other comprehensive income	0.00	0.00	0.00	14,094.97	14,094.97
Comprehensive income	0.00	0.00	-2,495,537.20	14,094.97	-2,481,442.23
Dec 31, 2016	5,094,283.00	50,000.00	-3,590,669.78	91,345.10	1,644,958.32

NOTES

TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

General information

These consolidated financial statements of asknet AG, headquartered in Karlsruhe (Amtsgericht Mannheim, HRB 108713), were prepared in accordance with section 290 et seq. of the German Commercial Code (HGB – Handelsgesetzbuch).

We have incorporated the additional disclosures required for individual items into the notes.

The fiscal year is the calendar year.

The consolidated income statement was prepared using the total cost accounting method.

Companies of the asknet Group

The consolidated financial statements include the parent company asknet AG, Karlsruhe, Germany, as well as the wholly owned subsidiaries asknet Inc., San Francisco, USA, asknet KK, Tokyo, Japan, and asknet Switzerland GmbH, Uster, Switzerland which are fully consolidated.

Accounting and reporting policies

Licenses held within asknet AG's inventories were reclassified to fixed assets as of December 31, 2016 (519 thousand euros).

As in the previous year, the consolidated financial statements were otherwise prepared using the accounting and reporting methods stated below.

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

Acquired intangible fixed assets are carried at cost and, if they have a finite useful life, are amortized in accordance with the term of their useful lives.

Tangible fixed assets are carried at their acquisition or production costs and are subject to scheduled depreciation (straight-line method) in accordance with their expected useful lives.

Since January 1, 2010, low value assets have been fully written off in the year of acquisition.

All other additions to tangible fixed assets are written down on a pro-rata temporis basis.

Appropriate write-downs have been recognized for all identifiable inventory risks that result from reduced marketability and lower replacement costs. Inventory is carried at the lower of cost or market.

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

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

Cash and cash equivalents are recognized at their face value on the balance sheet date.

Payments made before the reporting date are recognized as prepaid expenses if they constitute expenses for a certain period after this date.

The subscribed capital and the capital reserve are carried at their face value.

Other provisions account for all contingent liabilities and impending losses from pending transactions. They are recognized at their settlement values required according to prudent

commercial judgment (in other words taking into consideration future costs and price increases).

Liabilities are carried at their settlement values.

Payments received before the reporting date are recognized as deferred income if they constitute income for a certain period after this date.

All foreign currency assets and liabilities were translated into euros on the financial statement date using the respective mean exchange rate of that day. If these had remaining terms of more than one year, the realization principle (section 298 paragraph 1 in conjunction with section 252 paragraph 1 no. 4 half sentence 2 HGB) and the historical cost principle (section 298 paragraph 1 in conjunction with section 253 paragraph 1 sentence 1 HGB) were complied with.

All assets and liabilities of annual financial statements prepared in foreign currencies were translated into euros at the respective mean exchange rate prevailing on the financial statement date, with the exception of equity (subscribed capital, provisions, profit/loss carryforwards at historical exchange rates). Income statement items are translated into euros at the average exchange rate. The resulting translation differences are recognized in Group equity, below provisions in the item "Currency translation differences".

Deferred taxes resulting from differences between the commercial balance sheet and the tax balance sheet are recognized if they are expected to be reduced in later fiscal years. Deferred tax assets and liabilities are offset. If deferred tax assets exceed deferred tax liabilities as of the balance sheet date, no use is made of the capitalization option provided by section 274 paragraph 1 sentence 2 HGB.

Consolidation principles

The initial capital consolidation for initial consolidations prior to 2010 was carried out using the book value method at the time of the initial consolidation.

The initial capital consolidation for initial consolidations as of 2010 was carried out using the revaluation method.

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

No deferred taxes resulted.

EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

Fixed assets

The changes in the individual fixed asset items during the fiscal year are presented in the fixed assets schedule together with the respective depreciation.

Receivables and other assets

As in the previous year, receivables and other assets have a remaining maturity of up to one year, with the exception of the "Solidarbürgschaft" (joint security) of the Swiss Tax Authority (23,000 Swiss francs).

Cash and cash equivalents

Of our bank balances, 150 thousand euros are reserved as collateral for aval commitments.

Equity

Subscribed capital

The subscribed capital amounts to 5,094,283.00 euros and corresponds with the item recorded in the balance sheet of the parent company. It consists of registered no-par value shares (common stock). Each no-par share represents one vote. The subscribed capital was fully paid up.

The table below shows the changes in the consolidated net accumulated losses:

in € thousand	
Jan 1, 2016	-1,095.1
Consolidated net loss	-2,495.5
Dec 31, 2016	-3,590.6

Authorized capital

At the annual general meeting on July 29, 2011, with the full approval of the Supervisory Board, the Executive Board had been given authorization, extending until July 28, 2016, to increase the share capital of the corporation on one or more occasions by up to 2,520,000.00 euros against cash and/or payment in kind. Shareholders' subscription rights may be excluded. This authorized capital, which was limited until July 2016, has been replaced with 2015 authorized capital in the same amount. Shareholders' subscription rights may be excluded. The Executive Board is authorized, with the full approval of the Supervisory Board, to increase the share capital on one or more occasions by up to 2,520,000.00 euros by June 17, 2020 against cash and/or payment in kind by issuing new registered shares (2015 authorized capital).

Contingent capital

At the extraordinary general meeting on August 23, 2016, the Executive Board, with the approval of the Supervisory Board, was given authorization, extending until August 22, 2021, to issue on one or more occasions bearer or registered warrant bonds, convertible bonds, profit participation rights and/or income bonds or a combination thereof (collectively referred to as "bonds") in a total nominal amount of up to 3,000,000.00 euros with a maximum term of 10 years and to grant to or impose on the bearers or creditors of warrant bonds or warrant participation rights or warrant income bonds option rights or duties or to grant to or impose on the bearers or creditors of convertible bonds or convertible participation rights or convertible income bonds conversion rights or duties to up to 1,500,000 new registered shares of asknet AG with a pro-rata amount of the share capital totaling 1,500,000.00 euros in accordance with the conditions of these bonds. In addition to euros, the bonds may also be issued in the legal currency of an OECD country limited to the corresponding value in euros. They may also be issued by a subordinated Group company of asknet AG; in this case, the Executive Board is authorized, with the approval of the Supervisory Board, to issue a guarantee on behalf of asknet AG for the bonds and to issue to or impose on the bearers or creditors warrant and convertible rights or duties to registered shares of asknet AG.

Other provisions

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

Liabilities

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

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

Reporting and structural changes resulting from BilRUG

In the reporting year, the presentation and structure of the income statement were adjusted to the provisions of the German Commercial Code (HGB – Handelsgesetzbuch) which had been amended by the German Accounting Directive Implementation Act (BilRUG – Bilanzrichtlinie-Umsetzungsgesetz). As a result of the changed structure guidelines of section 275 HGB, the item “Result from ordinary activities” (92 thousand euros) still shown in the previous year is no longer included, while the item “Earnings after taxes” is shown for the first time in the fiscal year 2016.

Sales revenues

in € thousand

	2016	2015
SALES REVENUES BY BUSINESS UNIT		
Digital	44,909	42,865
Physical	3,857	4,080
Academics	19,958	26,378
	68,724	73,323
SALES REVENUES BY REGION		
Germany	24,319	30,147
Europe excluding Germany	15,333	16,556
USA	15,338	14,573
Asia	8,183	6,774
Other countries	5,551	5,273
	68,724	73,323

Other operating income

Other operating income included income from currency translation in the amount of 277 thousand euros (previous year: 546 thousand euros).

Other operating expenses

Other operating expenses included expenses from currency translation in the amount of 462 thousand euros (previous year: 1,039 thousand euros).

Income tax

Income tax exclusively relates to refunds for previous years.

Interest paid and other taxes

The items “Interest paid and other taxes” included extraordinary expenses in the form of potential retrospective VAT payments including interest to the Norwegian tax authorities in the amount of 829 thousand euros.

EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

As in the previous year, cash funds comprised cash and bank balances. 150 thousand euros of these cash funds remained subject to drawing restrictions.

OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

asknet has other financial obligations in the form of rental agreements and leases in the amount of 286 thousand euros.

in €

	RENT	LEASING	TOTAL
due within one year	205,737.18	38,578.76	244,315.94
due in one to five years	8,072.35	33,696.64	41,768.99
due after five years	0.00	0.00	0.00
	213,809.53	72,275.40	286,084.93

Property leases relate to the company's head office in Germany, the branch office in Switzerland as well as to the customer service locations in Japan and the USA. The leasing agreements are operating leases, under which the properties are not accounted for by the company. The advantage of these agreements is that less capital is tied up compared to the acquisition of the properties and that the realization risk is eliminated. Risks may arise from the duration of the agreement if the properties can no longer be fully used, of which there are no signs, however.

In a transaction agreement concluded on December 9, 2016, asknet AG committed to a total turnover regarding certain licenses in the amount of 1,555 thousand euros in the contractual period ending on December 31, 2021.

EMPLOYEES

During the 2016 fiscal year, the Group employed an average number of 87 employees in Germany (previous year: 88) and 8 abroad (previous year: 6; not including Executive Board, trainees, and temporary employees).

DIRECTORS OF THE CORPORATION

Executive Board

In the fiscal year, the Executive Board was composed of:

- > **Mr Tobias Kaulfuss**, Dipl. Kaufmann, MBA, Essen, Germany.

In accordance with section 286 paragraph 4 HGB, the total remuneration of the Executive Board pursuant to section 285 no. 9a HGB is not disclosed.

Supervisory Board

The members of the Supervisory Board in the fiscal year were:

- > **Dr. Joachim Bernecker**, Management Consultant, Straubenhardt, Germany: Chairman
- > **Thomas Krüger**, Eichenau, Managing Director of Ad Astra Erste Beteiligungs GmbH, and Ad Astra Venture Consult GmbH, both of Munich, Germany: Deputy Chairman
- > **Marc Wurster**, Attorney/Tax Advisor, Karlsruhe, Germany (until July 1, 2016)
- > **Michael Neises**, Attorney and Partner of the partnership Heuking Kühn Lüer Wojtek, Frankfurt, Germany (from July 1, 2016)

In 2016, the Supervisory Board received remuneration of 45 thousand euros.

Auditing and consulting fees

Total auditing fees for the fiscal year amounted to 30 thousand euros.

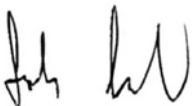
POST BALANCE SHEET EVENTS

As of March 1, 2017, Deutsche Börse Frankfurt restructured the segments of the Open Market. The Entry Standard, in which asknet AG had until then been listed, was replaced by the Scale and Basic Board segments. As the Scale segment has been created for corporations with a higher market capitalization than the one currently reached by asknet AG, the share of the company has been listed in the Basic Board segment since March 1, 2017.

With the exception of the above, there were no events of material importance after the balance sheet date that had a material effect on the net assets, financial position, and operating results of the Group.

Karlsruhe, March 13, 2017

asknet AG
– Executive Board –



Tobias Kaulfuss

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

2016

in €

	Cost			
	Jan 1, 2016	Additions	Disposals	Dec 31, 16
I. Intangible fixed assets				
1. Concessions, industrial and similar rights and assets, and licenses in such rights and assets	1,733,702.94	519,204.17	0.00	2,252,907.11
II. Tangible fixed assets				
2. Other equipment, operating and office equipment	1,315,559.23	66,139.94	0.00	1,381,699.17
	3,049,262.17	585,344.11	0.00	3,634,606.28

Depreciation, amortization and write-downs					Carrying amount	
Jan 1, 2016	Currency translation differences	Additions	Disposals	Dec 31, 16	Dec 31, 2016	Dec 31, 2015
676,630.43	0.00	3,220.00	0.00	679,850.43	1,573,056.68	1,057,072.51
980,703.66	-73.01	143,308.98	0.00	1,124,012.64	257,686.53	334,855.57
1,657,334.09	-73.01	146,528.98	0.00	1,803,863.07	1,830,743.21	1,391,928.08



ASKNET AG, KARLSRUHE

ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

as of December 31
in €

	2016	2015
ASSETS		
A. Fixed Assets		
I. Intangible fixed assets		
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	1,573,056.68	1,057,072.51
II. Tangible fixed assets		
Other equipment, operating and office equipment	253,303.40	328,781.40
III. Long-term financial assets		
Shares in affiliated companies	162,397.90	162,397.90
	1,988,757.98	1,548,251.81
B. Current Assets		
I. Inventories		
Merchandise	89,691.52	818,630.61
II. Receivables and other assets		
1. Trade receivables	3,800,522.85	3,576,888.88
2. Receivables from affiliated companies	870,295.91	842,338.13
3. Other assets	349,649.95	595,262.06
	5,020,468.71	5,014,489.07
III. Cash-in-hand and bank balances	4,006,820.71	4,251,515.53
	9,116,980.94	10,084,635.21
C. Deferred Income	228,229.43	418,890.85
	11,333,968.35	12,051,777.87

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67	OTHER DISCLOSURES
70	AUDITORS' REPORT

	2016	2015
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital	5,094,283.00	5,094,283.00
II. Capital reserve	50,000.00	50,000.00
III. Losses brought forward	-3,682,137.13	-1,163,014.98
	1,462,145.87	3,981,268.02
B. Provisions		
Other provisions	3,076,178.04	2,800,999.26
C. Liabilities		
1. Trade payables	4,587,430.20	3,558,903.10
2. Liabilities to affiliated companies	71,889.40	70,210.85
3. Other liabilities	1,584,054.81	1,013,782.84
of which taxes € 1,319,721.99 (previous year € 898,259.17)		
of which relating to social security and similar obligations € 6,829.78 (previous year € 6,573.21)		
	6,243,374.41	4,642,896.79
D. Deferred Income	552,270.03	626,613.80
	11,333,968.35	12,051,777.87

INCOME STATEMENT

January 1 until December 31

in €

	2016	2015
1. Sales revenues	68,724,026.26	73,323,195.01
2. Other operating income	639,714.84	675,580.02
	69,363,741.10	73,998,775.03
3. Cost of materials		
a) Cost of purchased merchandise	-59,804,739.98	-62,930,125.55
b) Cost of purchased service	-356,131.90	-439,460.02
4. Personnel expenses		
a) Wages and salaries	-4,287,182.78	-4,204,133.38
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions € 1,498.44 (previous year € 1,903.00)	-742,311.10	-720,786.68
5. Amortization and write-downs of intangible fixed assets and depreciations of intangible fixed assets	-144,727.31	-129,502.72
6. Other operating expenses	-5,715,232.26	-5,506,440.78
	-71,050,325.33	-73,930,449.13
7. Other interest and similar income of which from affiliated companies € 11.14 (previous year € 0)	192.34	500.62
8. Interest and similar expenses of which from affiliated companies € 0 (previous year € 0)	-181,255.94	-3,599.26
9. Tax refund on income and net worth	722.59	0.00
	-180,341.01	-3,098.64
10. Result from ordinary activities	-1,866,925.24	65,227.26
11. Other taxes	-652,196.91	-1,383.00
12. Net income	-2,519,122.15	63,844.26
13. Losses brought forward	-1,163,014.98	-1,226,859.24
14. Net retained profits	-3,682,137.13	-1,163,014.98

NOTES

TO THE 2016 ANNUAL FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

General information

These annual financial statements of asknet AG, headquartered in Karlsruhe (Amtsgericht Mannheim, HRB 108713), were prepared in accordance with sections 242 et seq. and sections 264 et seq. of the German Commercial Code (HGB – Handelsgesetzbuch) as well as the pertinent regulations of the German Stock Corporation Act.

As of December 31, 2016, the company fulfilled the size classification for a medium-sized corporation.

The fiscal year is the calendar year.

The company makes partial use of the size-related relief granted by section 288 paragraph 2 HGB.

The income statement was prepared using total cost accounting methods.

Accounting and reporting policies

Licenses held within inventories were reclassified to fixed assets as of December 31, 2016 (519 thousand euros).

As in the previous year, the annual financial statements were otherwise prepared using the accounting and reporting methods stated below.

Acquired intangible fixed assets are carried at cost and, if they have a finite useful life, are amortized in accordance with the term of their useful lives.

Tangible fixed assets are carried at their acquisition or production cost and are subject to scheduled depreciation (straight-line method) in accordance with their expected useful lives.

Since January 1, 2010, low value assets have been fully written off in the year of acquisition.

All other additions to tangible fixed assets are written down on a pro-rata temporis basis.

In the case of financial assets, shares are carried at acquisition cost.

Appropriate write-downs have been recognized for all identifiable inventory risks that result from reduced marketability and lower replacement costs. Inventory is carried at the lower of cost or market.

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

Receivables and other assets are carried at their face value. Adequate specific provisions are allowed for all items that carry risk; the general credit risk is covered by a general provision for trade receivables of 1 percent.

Cash and cash equivalents consist of bank balances and cash in hand, which are recognized at their face value on the balance sheet date.

Payments made before the reporting date are recognized as prepaid expenses if they constitute expenses for a certain period after this date.

The subscribed capital and the capital reserve are carried at their face value.

Other provisions account for all contingent liabilities and impending losses from pending transactions. They are recognized at their settlement values required according to prudent commercial judgment (in other words taking into consideration future costs and price increases).

Liabilities are carried at their settlement values.

Payments received before the reporting date are recognized as deferred income if they constitute income for a certain period after this date.

All foreign currency assets and liabilities were translated into euros on the financial statement date using the respective mean exchange rate of that day. If these had remaining terms of more than one year, the realization principle (section 252 paragraph 1 no. 4 half sentence 2 HGB) and the historical cost principle (section 253 paragraph 1 sentence 1 HGB) were complied with.

Deferred taxes resulting from differences between the commercial balance sheet and the tax balance sheet are recognized if they are expected to be reduced in later fiscal years. Deferred tax assets and liabilities are offset. If deferred tax assets exceed deferred tax liabilities as of the balance sheet date, no use is made of the capitalization option provided by section 274 paragraph 1 sentence 2 HGB.

EXPLANATORY NOTES TO THE BALANCE SHEET

Fixed assets

The changes in the individual fixed asset items during the fiscal year are presented in the fixed assets schedule together with the respective depreciation.

Receivables and other assets

Receivables and other assets have a remaining maturity of up to one year, with the exception of the "Solidarbürgschaft" (joint security) of the Swiss Tax Authority (23,000 Swiss francs).

All receivables from affiliated companies are trade receivables.

Cash and cash equivalents

Of our bank balances, 150 thousand euros are reserved as collateral for aval commitments.

Equity

Subscribed capital

The subscribed capital amounts to 5,094,283.00 euros and consists of registered no-par value shares (common stock). Each no-par share represents one vote. The subscribed capital was fully paid up.

Authorized capital

At the annual general meeting on July 29, 2011, with the full approval of the Supervisory Board, the Executive Board had been given authorization, extending until July 28, 2016, to increase the share capital of the corporation on one or more occasions by up to 2,520,000.00 euros against cash and/or payment in kind. Shareholders' subscription rights may be excluded. This authorized capital, which was limited until July 2016, has been replaced with 2015 authorized capital in the same amount. Shareholders' subscription rights may be excluded. The Executive Board is authorized, with the full approval of the Supervisory Board, to increase the share capital on one or more occasions by up to 2,520,000.00 euros by June 17, 2020 against cash and/or payment in kind by issuing new registered shares (2015 authorized capital).

Contingent capital

At the extraordinary general meeting on August 23, 2016, the Executive Board, with the approval of the Supervisory Board, was given authorization, extending until August 22, 2021, to issue on one or more occasions bearer or registered warrant bonds, convertible bonds, profit participation rights and/or income bonds or a combination thereof (collectively referred to as "bonds") in a total nominal amount of up to 3,000,000.00 euros with a maximum term of 10 years and to grant to or impose on the bearers or creditors of warrant bonds or warrant participation rights or warrant income bonds option rights or duties or to grant to or impose on the bearers or creditors of convertible bonds or convertible participation rights or convertible income bonds conversion rights or duties to up to 1,500,000 new registered shares of asknet AG with a pro-rata amount of the share capital totaling 1,500,000.00 euros in accordance with the conditions of these bonds. In addition to euros, the bonds may also be issued in the legal currency of an OECD country limited to the corresponding value in euros. They may also be issued by a subordinated Group company of asknet AG; in this case, the Executive Board is authorized, with the approval of the Supervisory Board, to issue a guarantee on behalf of asknet AG for the bonds and to issue to or impose on the bearers or creditors warrant and convertible rights or duties to registered shares of asknet AG.

Other provisions

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

Liabilities

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

All liabilities to affiliated companies are trade liabilities.

EXPLANATORY NOTES TO THE INCOME STATEMENT

Reporting and structural changes resulting from BilRUG

In the reporting year, the presentation and structure of the income statement were adjusted to the provisions of the German Commercial Code (HGB – Handelsgesetzbuch) which had been amended by the German Accounting Directive Implementation Act (BilRUG – Bilanzrichtlinie-Umsetzungsgesetz). As a result of the changed structure guidelines of section 275 HGB, the item “Result from ordinary activities” (65 thousand euros) still shown in the previous year is no longer included, while the item “Earnings after taxes” is shown for the first time in the fiscal year 2016.

Other operating income

Other operating income included income from currency translation in the amount of 277 thousand euros (previous year: 533 thousand euros).

Other operating expenses

Other operating expenses included expenses from currency translation in the amount of 448 thousand euros (previous year: 1,015 thousand euros).

Income tax

Income tax exclusively relates to refunds for previous years.

Interest paid and other taxes

The items “Interest paid and other taxes” included extraordinary expenses in the form of potential retrospective VAT payments including interest to the Norwegian tax authorities in the amount of 829 thousand euros.

OTHER DISCLOSURES

INFORMATION ON SHAREHOLDING

	Reporting date	Currency	Share in %	Equity in local currency	Result in local currency
asknet Inc. San Francisco, USA	31/12/2016	USD '000	100.0	159	9
asknet KK Tokyo, Japan	31/12/2016	YEN '000	100.0	21,075	1,488
asknet Switzerland GmbH Uster, Switzerland	31/12/2016	CHF '000	100.0	25	3.6

OTHER FINANCIAL OBLIGATIONS

asknet has other financial obligations in the form of rental agreements and leases in the amount of 262 thousand euros.

in €

	RENT	LEASING	TOTAL
due within one year	189,812.16	38,578.76	228,390.92
due in one to five years	0.00	33,696.64	33,696.64
due after five years	0.00	0.00	0.00
	189,812.16	72,275.40	262,087.56

Property leases relate to the company's head office in Germany. The leasing agreements are operating leases, under which the properties are not accounted for by the company. The advantage of these agreements is that less capital is tied up compared to the acquisition of the properties and that the realization risk is eliminated. Risks may arise from the duration of the agreement if the properties can no longer be fully used, of which there are no signs, however.

In a transaction agreement concluded on December 9, 2016, asknet AG committed to a total turnover regarding certain licenses in the amount of 1,555 thousand euros in the contractual period ending on December 31, 2021.

EMPLOYEES

During the fiscal year, the company employed an average number of 87 employees (previous year: 88; not including Executive Board, trainees, and temporary employees).

DIRECTORS OF THE CORPORATION

Executive Board

In the fiscal year, the Executive Board was composed of:

- › **Mr Tobias Kaulfuss**, Dipl. Kaufmann, MBA, Essen.

In accordance with section 286 paragraph 4 HGB, the amount of the total remuneration of the Executive Board is not disclosed.

Supervisory Board

The members of the Supervisory Board in the fiscal year were:

- › **Dr. Joachim Bernecker**, Management Consultant, Straubenhardt: Chairman
- › **Thomas Krüger**, Eichenau, Managing Director of Ad Astra Erste Beteiligungs GmbH and Ad Astra Venture Consult GmbH, both of Munich: Deputy Chairman
- › **Marc Wurster**, Attorney/Tax Advisor, Karlsruhe, Germany (until July 1, 2016)
- › **Michael Neises**, Attorney and Partner of the partnership Heuking Kühn Lüer Wojtek, Frankfurt, Germany (from July 1, 2016)

In 2016, the Supervisory Board received remuneration of 45 thousand euros.

AFFILIATED GROUP

The company is included in the consolidated financial statements of asknet AG, Karlsruhe, which prepares the consolidated financial statements for the smallest and the largest group of companies.

APPROPRIATION OF PROFITS

The Executive Board proposes to carry the accumulated net losses in the amount of 3,682,137.13 euros, which are composed of the accumulated losses brought forward in the amount of 1,163,014.98 euros and the net loss for the year 2016 in the amount of 2,519,122.15, forward to new account.

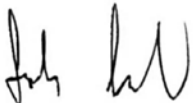
POST BALANCE SHEET EVENTS

As of March 1, 2017, Deutsche Börse Frankfurt restructured the segments of the Open Market. The Entry Standard, in which asknet AG had until then been listed, was replaced by the Scale and Basic Board segments. As the Scale segment has been created for corporations with a higher market capitalization than the one currently reached by asknet AG, the share of the company has been listed in the Basic Board segment since March 1, 2017.

With the exception of the above, there were no events of material importance after the balance sheet date that had a material effect on the net assets, financial position, and operating results of the Group.

Karlsruhe, March 13, 2017

asknet AG
– Executive Board –



Tobias Kaulfuss

AUDITORS' REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, which is combined with the group management report, of asknet AG, Karlsruhe for the business year from January 1, 2016 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's legal representative. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report

are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representative as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Karlsruhe, March 17, 2017

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Volker Hecht
Auditor

Christiane Keßler
Auditor

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

In the 2016 fiscal year, we, the Supervisory Board, performed our tasks and duties in accordance with the law and the statutes of the company. In an intensive and ongoing dialog with the company's Executive Board, we received regular, up-to-date, and comprehensive information on business developments, performance, perspectives, major investment projects and other particular issues of asknet AG. The Supervisory Board regularly advised the Executive Board on running the company and closely monitored and assisted in the conduct of business and the development of the company. This included consultation between the Executive Board and the Supervisory Board in planning activities and determining the strategic focus of asknet AG.

The Executive Board complied with its legal and internal reporting requirements in full and in a timely manner. The Executive Board provided written and oral reports, both within and outside the regular Supervisory Board meetings. The Supervisory Board was directly involved in all decisions and plans of material importance to the company. The Supervisory Board addressed all matters requiring its participation or decision according to the law and the statutes of the company. After thorough examination and discussion, the Supervisory Board approved the Executive Board's proposed resolutions insofar as was required by the law, the articles of association, or the bylaws for the Executive Board. The Executive Board provided the Supervisory Board with the necessary documentation for the topics under consideration in good time; the Supervisory Board requested and received additional information from the Executive Board as necessary and reviewed the documents and contracts in question.

The Executive Board and the Supervisory Board have a long history of close cooperation and open dialog based on mutual trust. The Supervisory Board held a total of six meetings during the 2016 fiscal year. In addition, the Supervisory Board and the Executive Board held several talks to discuss operational matters and address individual topics in greater detail. The Executive Board and the Supervisory Board remained in close communication, exchanging information by telephone, e.g. by holding telephone conferences. In particular, the Executive Board agreed the strategic orientation of the company with the Supervisory Board. The latter was directly involved in all decisions of fundamental importance. Transactions requiring the Supervisory Board's approval were outlined by the Executive Board and discussed with the latter prior to taking a decision. In addition, the Executive Board provided the Supervisory Board with monthly information on key performance indicators and the degree to which the projections were met.

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

Following the value added tax issue in Norway, which became known in mid-2016 and resulted in substantial retrospective tax payment obligations for the company, the Supervisory Board placed a special focus on reviewing and improving the

compliance management system. In cooperation with the Executive Board, the company's compliance management system was relaunched with the assistance of an external law firm and the correct treatment of VAT payments in all relevant target countries was reviewed by a renowned international accounting firm. The Supervisory Board satisfied itself that the Executive Board has installed a functioning risk management system that is capable of identifying developments that could jeopardize the company's existence at an early stage. In addition, the Supervisory Board has retained a law firm to enforce liability claims against (former) Executive Board members and the D&O insurer.

Key topics addressed by the Supervisory Board

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

At our meeting on April 14, 2016, besides addressing the usual subjects of performance and outlook, we placed particular emphasis on the results reported in the 2015 annual report. Following an in-depth consultation between the Supervisory Board and the auditors, the separate financial statements and the consolidated financial statements for 2015 were approved unanimously. Other important topics on the agenda of the meeting on April 14, 2016 included the winning of new customers in Asia, the profitability of asknet's Physical Goods Business Unit, the measures aimed at reducing currency expenses, the resolution of the Supervisory Board regarding the achievement of the Executive Board objectives for the 2015 fiscal year and the resolution of the Supervisory Board regarding the definition of the Executive Board objectives for the 2016 fiscal year.

The next Supervisory Board was held on June 30, 2016 and continued after the annual general meeting on July 1, 2016. At the end of the annual general meeting, Mr Marc Wurster announced his resignation from the Supervisory Board. As a consequence, Michael Neises, substitute member of the

Supervisory Board, succeeded Mr Wurster on the Supervisory Board after the annual general meeting, which means that the Supervisory Board meeting on June 30, 2016 was attended by Mr Wurster and the meeting on July 1, 2016 was attended by Mr Neises. Apart from final preparations of the annual general meeting, the meeting on June 30, 2016 dealt with the current business trend in the business unit and, most importantly, the future shape of asknet's Physical Goods Business Unit and the sales revenues generated with the new product, asknet Verify.

The Supervisory Board meeting on July 1, 2016 focused on the Norwegian VAT tax issue, as it had turned out that the Norwegian tax authorities might claim retrospective tax payments for the period from 2011 to 2016 from asknet AG. The Supervisory Board members discussed measures to a) fully clarify the Norwegian VAT tax issue, b) minimize the potential risks and costs arising from this issue and c) ensure that no similar risks exist in other countries. In addition, an experienced law firm was retained to examine whether asknet can enforce potentially successful claims for damages against third parties. In addition, the Supervisory Board members discussed the possible effects of potential retrospective VAT payments to the Norwegian authorities on asknet's cash position. It was also stated that, once an adequate provision for potential retrospective VAT payments was established, half of asknet's equity capital would be used up and an extraordinary general meeting would have to be held. In addition, the medium-term growth potential in the individual business units were discussed in detail.

An additional extraordinary Supervisory Board meeting was held on July 18, 2016 to address the events relating to the Norwegian VAT tax issues. In addition, the Supervisory Board decided and agreed to renew the appointment of Tobias Kaulfuss to the company's Executive Board. In view of the Norwegian VAT tax issue, the Executive Board's bonus targets for 2016 were modified to reflect the changed priorities. The first focal points of the budgets for 2017 and the following years were discussed.

In the run-up to the extraordinary general meeting on August 23, 2016, another Supervisory Board meeting was held on August 22, 2016, which was continued after the general meeting. The consultations focused on the final preparations of the extraordinary general meeting, the VAT tax issue and the strategic orientation of the company. In this context, the business situation and prospects of the individual business units were outlined by their respective heads and the Executive Board, also with regard to the technical requirements and the state of development.

The next regular Supervisory Board meeting took place on September 21, 2016 and focused on the Norwegian VAT tax issue and its consequences for the company as well as potential claims for damages. Other items on the agenda included the state of technical development of the online shops for the new Asian customers as well as the efforts to win additional new customers for asknet Verify. The Supervisory Board members also discussed the business performance of asknet's Swiss subsidiary as well as the state of the negotiations with HBO about the continuation of the HBO Europe Shop by asknet in a manner acceptable to both parties. In addition, the Executive Board reported on the results of a strategy and planning workshop held jointly with asknet's second management tier in September 2016.

On October 20, 2016, the Executive Board and the Supervisory Board held a telephone conference. Tobias Kaulfuss presented and outlined ideas and proposals of the management regarding asknet AG's future positioning, as a result of which the following measures were decided: (i) merge the Physical Business Unit with the Digital Business Unit to form asknet's eCommerce-Solutions Business Unit; (ii) assign customer service, professional service and customizing staff directly to the respective business unit to achieve greater proximity to the customer. At the last Supervisory Board meeting of the fiscal year on November 30,

2016, the members discussed the current business trend, especially the delay in the major order for the Academics Business Units originally expected for the fiscal year, and adopted the budgets for fiscal 2017.

Additional Supervisory Board resolutions, which were typically discussed in detail at the above-mentioned meetings or in Supervisory Board telephone conferences and then finalized by means of circular resolution, included:

- › amendments of the bylaws and granting of proxy ("Prokura") signing power (January 2016)
- › agenda of the annual general meeting on July 1, 2016
- › resolution on the convening and the agenda of an extraordinary general meeting on August 23, 2016
- › renewal of the appointment of Tobias Kaulfuss to the Executive Board until the end of 2018 and adjustment of the Executive Board contract
- › Supervisory Board report for the fiscal year 2015.

Annual general meeting

asknet AG's annual general meeting was held on July 1, 2016. The main item on the agenda, besides granting discharge to the Executive Board and the Supervisory Board was electing the auditors for the 2016 fiscal year. The resolutions for all agenda items were carried by a large majority of the shareholders attending the meeting.

Following the general meeting, the constituent meeting of the Supervisory Board for the election of the Chairman and Vice Chairman of the Supervisory Board was held. Dr. Joachim Bernecker and Thomas Krüger were elected Chairman and Vice Chairman, respectively.

The Supervisory Board thanks Mr Marc Wurster for his outstanding achievements for asknet AG over many years.

Audit of the annual financial statements 2016

At the annual general meeting on July 1, 2016, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, was commissioned to perform the audit of the financial reports for the 2016 fiscal year. Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, audited asknet AG's annual financial statements for the period ending December 31, 2016 and the management report of asknet AG and issued an unqualified audit certificate. asknet AG's annual financial statements and the consolidated financial statements were prepared in accordance with the German Commercial Code (HGB – Handelsgesetzbuch).

The annual financial statements of asknet AG, the consolidated financial statements, the combined management report, and the audit report of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, were provided to all members of the Supervisory Board in a timely manner. At a meeting held on March 31, 2017, the auditors presented the findings of their audit to the asknet AG Supervisory Board, which then asked the auditors supplementary questions.

asknet AG's annual financial statements, the consolidated financial statements, and the combined management report for the 2016 fiscal year were examined in detail by the Supervisory Board. Based on our own review of the audit, the Supervisory Board raised no objections and concurred with the audit results provided by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. With its resolution of March 31, 2016, the Supervisory Board of asknet AG therefore expressed its unreserved approval of the annual financial statements presented by the Executive Board in accordance with section 172 of the German Stock Corporation Act (AktG – Aktiengesetz). In addition, the Supervisory Board approved the consolidated financial statements, the asknet AG management report, and the asknet Group management report.

Composition of the Executive Board

Mr Tobias Kaulfuss served as sole Executive Board member of asknet AG throughout the fiscal year 2016.

The Supervisory Board of asknet AG would like to take this opportunity to thank all the company's employees for their commitment and their successful work and achievements in the 2016 fiscal year. The Supervisory Board wishes asknet AG every success in the 2017 fiscal year.

Karlsruhe, March 31, 2017

The Supervisory Board

A handwritten signature in black ink, appearing to read 'Joachim Bernecker', with a large, sweeping flourish extending to the right.

Dr. Joachim Bernecker
(Chairman of the Supervisory Board)

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FINANCIAL CALENDAR 2015

April 28, 2017

Publication Financial Report 2016

May 24, 2017

Publication Q1/2017 interim report

July 6, 2017

Annual General Meeting

September 4, 2017

Publication Half Year Report 2017

November 24, 2017

Publication Q3/2017 interim report

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