asknet

Enabling your eBusiness

ANNUAL REPORT 2017

SELECTED KEY FIGURES OF THE GROUP

in € million

		2012	2013	2014	2015	2016	2017
Transaction Revenues		90.97	95.72	101.80	83.20	73.96	**68.39**
Sales Revenues (excluding other operative income)		74.82	82.21	89.38	73.32	68.72	**66.16**
Cost of Materials		–64.70	–71.84	–78.74	–62.93	–59.80	**–57.64**
Gross Profit		10.12	10.38	10.64	10.39	8.92	**8.52**
Gross Profit Margin (of Sales Revenues)	in %	13.5	12.6	11.9	14.2	13.0	**12.9**
Personnel Expenses		4.75	4.98	5.41	5.19	5.37	**4.95**
Other Expenses		5.80	5.35	5.18	5.21	5.35	**4.94**
EBIT		0.09	0.24	0.11	0.09	–1.65	**0.59**
Financial Result		0.02	0.00	0.00	0.00	–0.18	**–0.01**
EBT		0.10	0.24	0.11	0.09	–1.83	**0.58**
Net Result		0.08	0.23	0.10	0.08	–2.50	**0.07**

TABLE OF CONTENTS

MILESTONES 2017 04
asknet at a Glance 04
Letter to the Shareholders' 06
The Academics Business Unit 08
2017: A fresh start 10

12 MANAGEMENT REPORT ON THE SITUATION OF THE COMPANY AND THE GROUP

32 CONSOLIDATED FINANCIAL STATEMENTS

46 ANNUAL FINANCIAL STATEMENTS

56 SUPERVISORY BOARD REPORT

61 IMPRINT

61 FINANCIAL CALENDAR

ASKNET AT A GLANCE

SINCE 1995
CLOUD BUSINESS SOLUTIONS

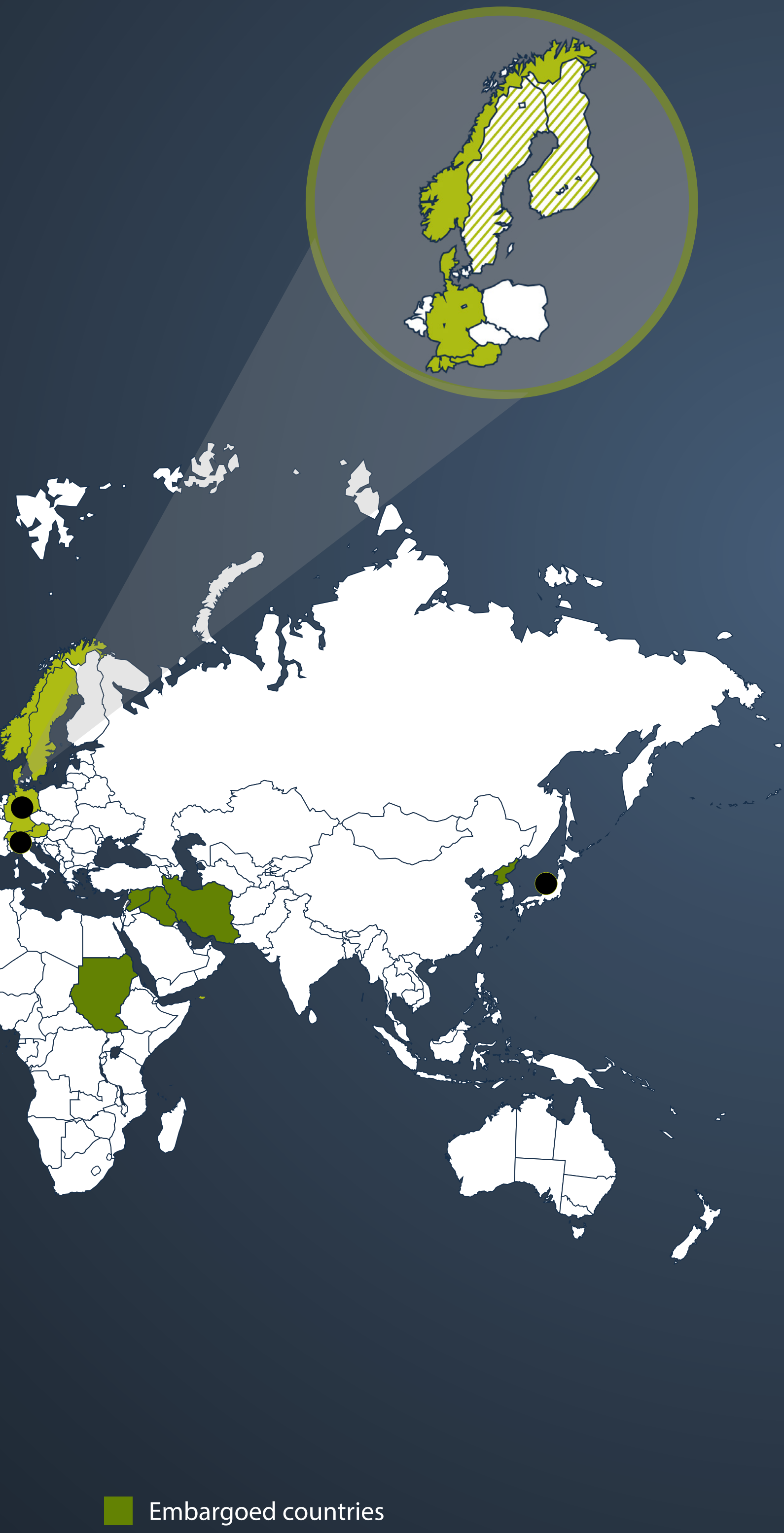
NEW STRATEGIC MAJORITY SHAREHOLDER THE NATIVE
51.37%

❯ eCommerce Solutions
2 BUSINESS UNITS
❯ Academics

>190 DELIVERY COUNTRIES

ECOMMERCE SOLUTIONS
Countries, in which we distribute

ACADEMICS
Countries, in which we deliver



4 LOCATIONS

asknet Inc. USA

asknet AG Germany

asknet Switzerland GmbH

asknet KK Japan

85 EMPLOYEES

~30 SHOP LANGUAGES

>30 SHOP CURRENCIES

„We gain access to The Native SA Group's marketing expertise and global contacts, share additional resources and jointly acquire customers."

❯ Dear shareholders,

The most important event for our company in the past 2017 financial year was the entry of our new majority shareholder, The Native SA, and it represents a decisive milestone in the more than 20-year history of asknet AG. The Native's long-term strategic commitment is a key element in successfully shaping the future of our company and opens up additional opportunities for us. The cooperation offers high synergy potential, especially in the eCommerce Solutions Business Unit. We gain access to The Native SA Group's marketing expertise and global contacts, share additional resources and jointly acquire customers. The entry was also positively received by our customers and partners and has strengthened our position in the market.

Operationally, we are also experiencing a clear tailwind, as can be seen from a large number of new customers and partnerships. In the Academics Business Unit, the expansion of our cooperation with our long-standing partner IBM to the Scandinavian market deserves special mention. Another important success is the cooperation with the US company ANSYS Inc., the world's leading manufacturer of simulation software, which was announced in December 2017. In the eCommerce Solutions Business Unit, we also continued our sales successes of the previous year and gained a total of nine new customers in 2017. In addition to our strong position in the Asian market, several successful deals were concluded with European and US software manufacturers. Our increased investments in the sales team are paying off here in particular. We plan to significantly increase our efforts in 2018, especially in North America.

Another focus in the past financial year were investments in technical and structural improvements. This included the launch of the fourth platform generation of our academic procurement portal. New features have also been implemented for the asknet eCommerce Suite in the course of creating new customer shops. We are constantly revising our cart solution with new, state-of-the-art features here. In order to document the value of software development work in a dynamic market with ever shorter product cycles and to position the company even more clearly in terms of innovative strength and future viability, we have also capitalized our own development activities for the first time, with corresponding positive effects on earnings.

LETTER TO THE SHAREHOLDERS

TOBIAS KAULFUSS, CEO
SERGEY SKATERSHCHIKOV, CFO

All in all, we were able to significantly improve our business situation in 2017 compared to the previous year and to return to break-even. This was not least due to lower operating costs, a result of the change programs of previous years. Revenues and gross profits declined on an annual basis due to unfinished academic package transactions and reduced demand for a high-margin software release of a major customer. At the same time, the new customer shops and partnerships performed very well. And the start into the new year has been successful so far, as well.

We are therefore clearly optimistic for the 2018 financial year. In the eCommerce Solutions Business Unit, the positive development of the new customer shops will continue in the current year. Building on a promising customer pipeline, we also intend to maintain the successful sales performance of previous years, not least in cooperation with our new major shareholder. In the Academics Business Unit, partnerships with ANSYS and IBM in new geographies will make an important positive contribution.

> „Building on a promising customer pipeline, we also intend to maintain the successful sales performance of previous years."

Overall, we expect a significant increase in gross profit at Group level in 2018. At the same time, we will make targeted investments in personnel capacities and in the technological basis, but nevertheless expect a slightly positive operating result (EBT). We are convinced that our stable shareholder structure and the measures taken in recent years to increase sales and earnings will enable us to participate more strongly in global digitization trends and to stabilize, if not accelerate, growth.

Best Regards

The Executive Board of asknet AG
Tobias Kaulfuss

Sergey Skatershchikov

ACADEMICS

ACADEMICS BUSINESS UNIT

STRATEGIC AND OPERATIONAL PROGRESS AT ALL LEVELS

TECHNOLOGY UPDATE: THE PORTAL 4.0

In 2017 asknet carried out a technical revision of the portal landscape, which primarily comprised the consolidation of the releases and the standardization of processes. The new fourth generation eProcurement Portal provides universities and educational institutions with a state-of-the-art technology combining a clear structure with stability and modularity. New elements and architectures are now easier to integrate; this also includes the asknet Academics products, which are specifically tailored to the fourth generation. In addition, the new technology allows to set-up web shops for new customers faster and more efficiently than ever before.

IBM DISTRIBUTION EXPANDED TO SCANDINAVIA

A comprehensive framework agreement with IBM was signed in the past fiscal year under which the sales cooperation for IBM Analytics products is expanded to the Scandinavian market. The focus will initially be on Norway, where asknet has taken over existing contracts and the first significant transactions have already been completed. In addition, asknet plans to win further universities and research institutions for the procurement of IBM products. At the end of 2016, asknet and IBM had agreed to extend their cooperation in the Swiss market until 2021.

IBM EXPERT IN CHARGE OF BUSINESS DEVELOPMENT

Since March 2018, asknet receives support from an IBM expert through the IBM "Champions for Growth" program, who will be responsible for the global business development of the Academics business unit over the next 18 months. His tasks include pushing forward the international asknet offering based on IBM Analytics products and expanding the cooperation with IBM to include topics such as blockchain and AI applications. The program was initiated by IBM for the purpose of deploying employees to partner companies for a limited period of time in order to establish a platform for the exchange of knowledge and expertise that benefits both parties.

NEW SALES PARTNERSHIP WITH ANSYS

In 2017, asknet agreed a new sales partnership with ANSYS, a world-leading manufacturer of simulation software. ANSYS has developed engineering simulation software for more than 45 years and sells its products to a wide range of customers from the automotive, mechanical engineering and aerospace industries to the chemical and process industry to the power engineering and healthcare sector. asknet is now responsible for selling ANSYS products to academic customers in Germany and Austria. The cooperation comprises both the continuation of existing contracts and support in winning new customers.

RANGE OF SERVICES EXPANDED

The Academics Business Unit expanded its range of services in the reporting period and now offers not only Microsoft Office 365 packages but also the associated customer support. The new all-in-one package from asknet comprises the creation and administration of Office 365 authorizations, the distribution of licenses via an asknet portal and the verification of the users. In addition, asknet offers customer support for the installation of the programs and assists customers in all matters relating to ordering, downloading and regular license renewals. Customers thus receive all services relating to the distribution of Microsoft licenses from a single source.

CONTACT PERSON:

MICHAEL BAUMANN
Vice President Academics Business Unit

2017: A FRESH START

ACADEMICS

STRATEGIC AND OPERATIONAL PROGRESS AT ALL LEVELS

Sales cooperation with US software manufacturer ANSYS for Germany and Austria

Reorganisation of sales structure (North, South, Vendor Relations)

Successful launch of 4th generation software portal

Comprehensive framework agreement with IBM for Scandinavian market

Development of a new Microsoft Office 365 all-in-one package

Changes on Supervisory Board and Executive Board

Strong sales performance in both business units

Ordinary capital reduction strengthens financial foundation

A FRESH START 2017

Strategic investor The Native acquires majority stake in asknet (incl. capital increase)

Norwegian tax authorities conclude investigations

asknet & The Native identify synergies in customers, marketing and technology

Development of new features for asknet eCommerce Suite

ECOMMERCE SOLUTIONS

EXPANSION OF GLOBAL CUSTOMER BASE

Jan Schöttelndreier becomes Head of eCommerce Solutions Business Unit

Expansion of customer relationships in Asia

New sales partnership in the USA

9 new customers won in 2017

COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR*

FROM JANUARY 1 TO DECEMBER 31, 2017

GENERAL INFORMATION ABOUT THE GROUP

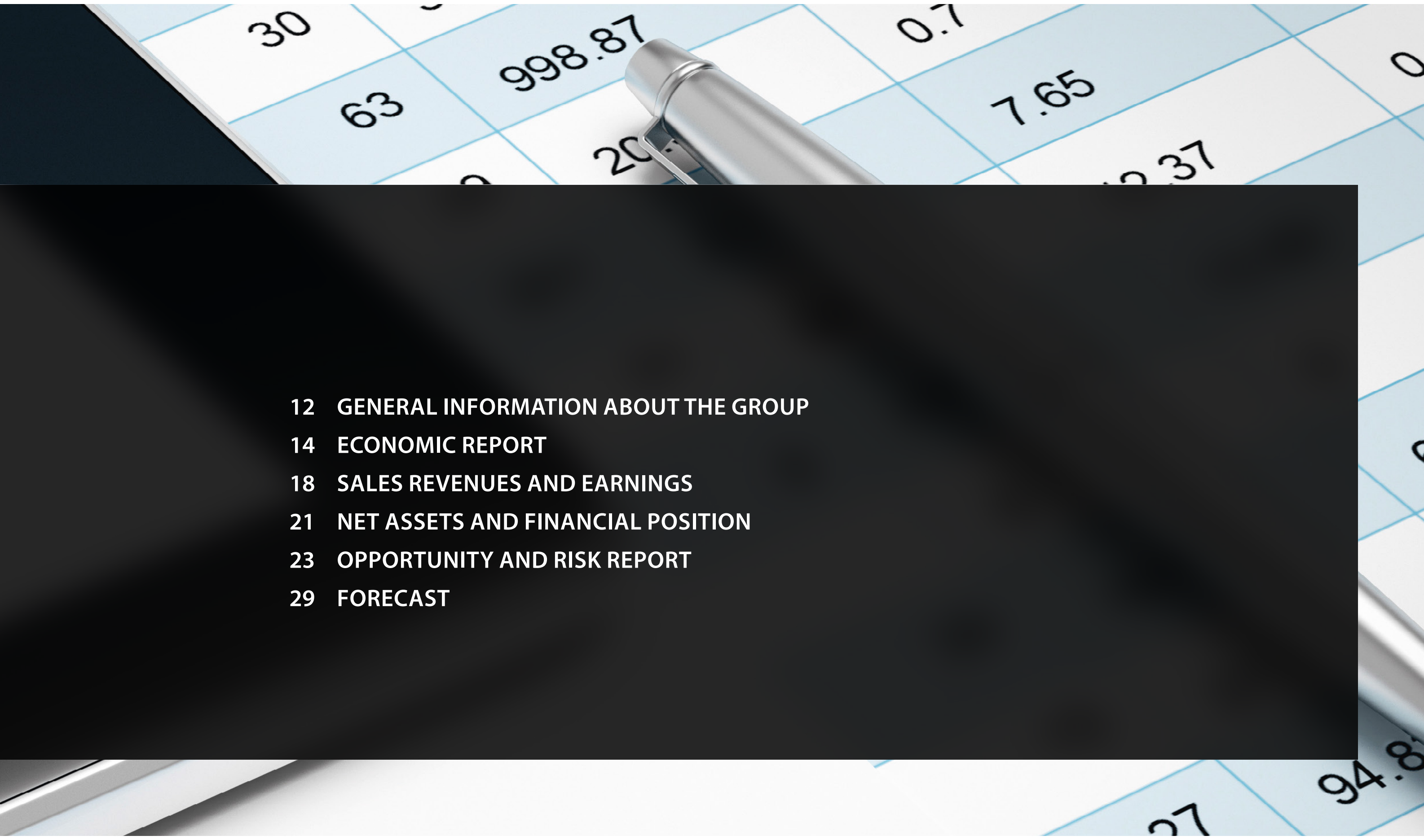
CORPORATE STRUCTURE AND BUSINESS MODEL

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 publishers, manufacturers and merchants 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 financial year 2017, the company was divided into two business units.

In the eCommerce Solutions Business Unit, asknet develops and operates online shops worldwide for manufacturers of digital and physical products. As a full-service provider, asknet handles the purchase process from product selection and payment processing to delivery of the goods to the end customer. This includes all the legal, commercial and technical requirements of an online shop, including the management of tax regimes, compliance with export restrictions and full handling of currencies, including the entire risk management process (merchant of record model). Starting from the shopping cart, asknet provides a powerful technical solution with its asknet eCommerce Suite, which creates a seamless customer experience within a company's brand image.

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. Other important academic markets are

* In the report for the financial year 2017 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.



12 GENERAL INFORMATION ABOUT THE GROUP
14 ECONOMIC REPORT
18 SALES REVENUES AND EARNINGS
21 NET ASSETS AND FINANCIAL POSITION
23 OPPORTUNITY AND RISK REPORT
29 FORECAST

Switzerland, Austria and, since 2017, the Scandinavian countries (especially Norway). In addition, asknet distributes a wide range of software solutions for students via its well-established "studyhouse.de" platform.

asknet's outsourcing solutions stand out with their unrivaled coverage, flexibility and adaptability. The company's online shops support nearly 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, 2017, 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. As of November 2017, asknet AG and its subsidiaries are part of the Swiss-listed global e-commerce services provider The Native SA, which holds 51.37 percent of asknet AG.

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 3.7 percent in 2017, significantly outperforming the previous year (+3.2 percent). Economic strength increased in both the industrialized countries (+2.3 percent) and the emerging and developing countries (+4.7 percent). In one of the most important sales markets for asknet customers, the USA, growth amounted to 2.3 percent in the reporting period. In the Euro-zone, the IMF estimates growth in 2017 to be 2.4 percent, while the German economy even grew by 2.5 percent.

The industries that are relevant for asknet Group include the international e-commerce markets and the global IT markets (software and IT services). The business activities of asknet's Academics Business Unit focus on the university sector in Germany, Austria and Switzerland (German-speaking region).

The dynamic growth of the global e-commerce market continued in 2017. According to the US market research company eMarketer, global B2C online trading grew by 23.2 percent to 2.3 trillion US dollars last year. The share of m-commerce (mobile) now accounts for well over 50 percent. Online wholesale (B2B) is also becoming increasingly important. In the USA alone, Forrester Research estimates that B2B online trading volume will be around 889 billion US Dollars by 2017. The B2B market is thus almost twice as large as the US B2C online market, which according to eMarketer reached a volume of 450 billion US dollars in the reporting period.

The IT markets are also continuing to grow, supported by the worldwide digitization of business processes. According to market analysts from Gartner, global IT spending rose by 3.8 percent to 3.5 billion US dollars in the reporting period. At 8.9 percent, the market for enterprise software recorded the strongest growth. Expenditure on IT services also rose significantly, rising by 4.3 percent. According to the industry association Bitkom, the German IT market grew by 3.9 percent to a market volume of 86.2 billion euros. With growth of 6.3 percent, the IT software sector is also a significant growth driver here. Business with IT services increased by 2.3 percent.

The university market, which is important for the asknet Business Unit Academics, also developed positively in the reporting period. According to the Federal Statistical Office, the number of students at German universities grew to 2.85 million in the 2017/2018 winter term – an increase of 1.5 percent compared to the 2016/2017 winter term, while at the same time public expenditure on universities rose to 30.4 billion euros (plan approach for 2017). The currently available figures from Austria and Switzerland also show a slight but continuous increase in student numbers. According to Statistik Austria, the number of students at Austria's universities increased by 0.6 percent to 383,517 in the 2016/2017 winter term, while in Switzerland, the Statistical Office reported around 244,000 students for the academic year 2016/2017. This corresponds to an increase of 18.2 percent since the academic year 2010/11.

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 areas and the development of innovative products.

asknet's e-Commerce Solutions Business Unit generally has a good position based on its proven solutions and continuous investment in technology. However, the market segment for full-service 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 also resulting in price wars. Nonetheless, with more investment in sales activities asknet has been able to secure a large number of new clients in previously less serviced geographies and is planning to continue building up its sales force. Furthermore, 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. The sale of physical products additionally helps asknet to stand out from the competition. Further significant potential lies in the cooperation with the new majority shareholder (The Native SA), which involves bundling resources, exploiting synergies and developing new joint customer segments.

asknet's Academics Business Unit has an outstanding market coverage and high profile 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 margins for the sale of software licenses are continuously decreasing. asknet therefore aims to use the good customer relationships also in this unit in order to place new products, more comprehensive services and to increase its vertical integration.

BUSINESS PERFORMANCE OF ASKNET AG AND THE GROUP IN 2017

A fresh start: New strategic majority shareholder The Native SA creates perspectives and synergies
In November 2017, asknet AG signed an investment agreement with The Native SA (formerly 5EL SA), a global e-commerce services provider listed on the SIX Swiss Exchange. As part of the transaction, The Native SA acquired a 51.37 percent stake in asknet AG at a price of 2,442,152 euros. The transaction took the form of a capital increase in combination with a buyout of a group of major shareholders of asknet AG. The Native SA paid a price of 8.33 euros per share for the shares acquired from the existing shareholders and a price of 9.20 euros per share for the shares issued as part of the capital increase. The capital increase amounted to 10 percent of the share capital of asknet AG, which corresponds to 50,942 issued shares and a net proceeds of 468,666 euros. The inflow of capital makes it possible to invest in promising products and services that will significantly advance the change process of the asknet Group.

But above all, the participation of The Native SA contributes significantly to the future viability of the asknet Group and creates new prospects for growth, especially in the eCommerce Solutions Business Unit. The cooperation with The Native SA will generate important synergies, for example by leveraging The Native's marketing expertise and joint sales initiatives. The asknet Group, for its part, complements the competencies of The Native Group with ready-to-use, innovative and cost-efficient e-commerce solutions and services.

Strong sales performance continues in both business units
The financial year 2017 was characterized by a large number of new customers and cooperations, but also technical and structural improvements in the business units of the asknet Group.

In the **Academics Business Unit,** asknet was able to achieve a great success in cooperation with its long-standing partner IBM and extended the sales cooperation for IBM Analytics products to the Scandinavian market. For this purpose, a comprehensive framework agreement was concluded at the end of 2017, giving asknet full flexibility to offer attractive prices. The focus is initially on Norway, where asknet has taken over existing contracts and the first significant transactions have already been made. In addition, asknet plans to win further universities and research institutions for the procurement of IBM products. On the Swiss market, asknet had already agreed to extend the cooperation until 2021 at the end of 2016.

Another major success is the cooperation with the US company ANSYS Inc., the world's leading manufacturer of simulation software, announced in December 2017. asknet is now taking over the distribution of ANSYS products to German and Austrian academic customers. The cooperation includes both the takeover of the existing business and support in acquiring new customers. Due to the scope and potential of the cooperation, two additional employees were hired for this area beginning of 2018.

In addition, asknet further expanded its range of services for academic customers during the reporting period and is offering now Microsoft Office 365 packages as well as the associated customer support for universities and research institutions. At the beginning of 2018, a renowned German university became the first renowned customer for the complete package. The company is already in talks with other universities and institutions that have expressed interest in this bundled package of license distribution and customer support.

Internally, the Academics Business Unit focused during the reporting period on the technical revision of the portal landscape, in particular the consolidation of the releases and the associated standardization of processes. At the end of October 2017, the first installation of the fourth generation of platforms went online with a software procurement portal from a major technical university. The new Portal 4.0 enables an effective supply of existing installations with new features and versions and a fast setup for new customers. Thanks to its clear structure and improved modularity, the platform forms a stable basis that enables asknet to integrate new technologies and architectures, including the new asknet Academics products, which are specially tailored to the fourth generation. In 2018 asknet will carry out the migration at other existing customers and has also some new customer projects in prospect.

Another important new development in the Academics Business Unit was the reorganization of the sales structure. The former product management department was split up and the support of academic customers is now carried out in two regional sales organizations – North and South. The cooperation with the manufacturers whose products asknet sells to academic institutions is now managed by the "Vendor Relations" department. This measure is intended to further accelerate the expansion of existing customer relationships.

asknet also continued its successful sales performance in the **eCommerce Solutions Business Unit**, recording a total of 9 new customers in the reporting period. All in all, asknet has successively expanded its position on the Asian market over the past two years. In the second half of 2017, asknet also concluded several successful deals with European and US software manufacturers. This was largely due to increased investments in asknet's sales force. For 2018, the company plans to significantly increase its efforts particularly in North America. A sales partnership in the USA concluded at the end of 2017 will make a positive contribution to this.

Due to the continued positive development of sales in the new customer shops and the ongoing acquisition of new customers, asknet is approaching a goal of the change initiative initiated in 2015: To reduce dependency on individual customers. Customer-specific sales fluctuations in the shops operated by asknet can also be better compensated for in this way. For example, the number of small and medium-sized customers that have been acquired since the start of the change initiative has meanwhile exceeded the total number of customers before the start of the process.

In order to further accelerate the acquisition of new customers and the implementation of new shops, as well as to increase the efficiency of internal processes, additional structural and operational improvements were initiated as part of the ongoing change process. In the eCommerce Solutions Business Unit Jan Schöttelndreier was appointed as the unit's new Vice President with effect from August 1, 2017. Jan Schöttelndreier had been advising the company since November 2015 and has been Director of Operational Excellence since September 1, 2016. In addition to the introduction of new work processes and agile working methods, asknet also pushed ahead with the production of the solution and service portfolio. This included the development of new features for the asknet eCommerce Suite, which were implemented during the creation of new customer shops. The further development was steered and implemented by the Technical Product Management department, which was newly created in fall 2016.

Capital reduction strengthens the company's equity base
An important contribution to the asknet Group's stable financial basis was made by an ordinary capital reduction at a ratio of 10:1, which became effective following its approval by the Annual General Meeting on July 6, 2017 and entry in the Commercial Register on July 7, 2017. The reduction took place in several steps. In order to get a share number that can be divided by ten, the company's share capital in the amount of 5,094,283 euros consisting of 5,094,283 registered shares was first reduced by 3 euros to 5,094,280 euros in accordance with section 237 paragraph 3 no. 1 of the German Stock Corporation Act (AktG – Aktiengesetz) and then reduced by 4,584,852 euros to 509,428 euros in accordance with section 222 et seq. AktG. The reduction in the amount of 4,584,852.00 euros was offset with the net loss posted in the balance sheet as at December 31, 2016 in the amount of 3,682,137.13 euros and the remaining amount of 902,714.87 euros was allocated to the capital reserve.

The conversion of the listing of the shares of asknet AG (ISIN: DE0005173306) took place on August 10, 2017 after the close of trading. The shares were listed under the new ISIN DE000A2E3707 on August 11, 2017 with a corresponding adjustment of the stock market price. The reduction enables the balance sheet loss reported as of December 31, 2016 to be compensated for and the balance sheet restructuring of the company's equity capital.

Sales tax issue in Norway settled
In the first half of 2017, the Norwegian authorities concluded their investigation of sales tax not paid on online sales in the

past. In a written confirmation of this, asknet's active cooperation and transparency in clarifying the facts were ackowledged by the Norwegian authorities. The total amounts estimated to settle the situation were within the limits of the provision already made in 2016 and the advance payment already made, so that the earnings situation in the financial year 2017 was not adversely affected by this. In order to pursue possible compensation claims against former board members, the company has meanwhile filed first legal actions. It is not yet clear when a decision will be made on this matter and whether and to what extent the company will receive compensation payments.

SALES REVENUES AND EARNINGS

In 2017, the asknet Group recorded a generally satisfactory business development and was able to significantly improve its earnings situation compared to the previous year.

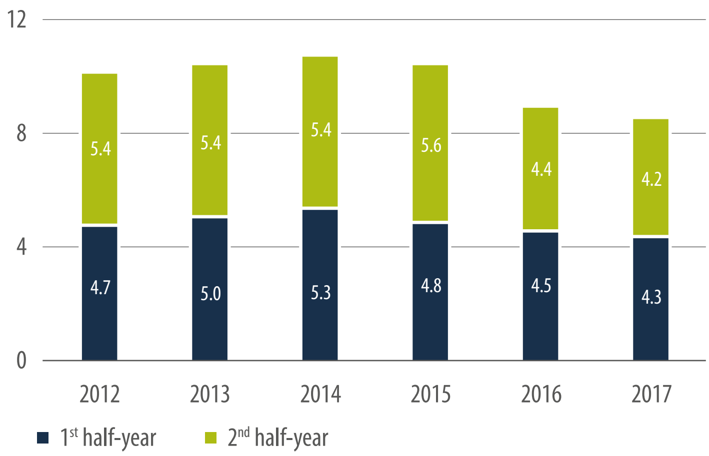
In its first forecast for the financial year 2017, the Executive Board of asknet AG had assumed that the Group's operating result (EBT) would improve significantly, albeit still be negative, despite rising gross profit compared to the previous year. In the course of preparing the annual financial statements for 2017, the company adjusted its earnings expectations for 2017 upwards in January 2018. The main reason for this increase is the decision of the Management Board and Supervisory Board to start capitalizing software development costs in the financial year 2017. In addition, in November and December, the company recorded strong performance from existing and new customers, which had not yet been taken into account in the planning. This was also reinforced by the positive effect of synergies with The Native SA following the completion of the change of control transaction at the beginning of November. Based on the preliminary figures, a slightly positive operating result (EBT) was now expected. Gross profit should be weaker than in the previous year, partly due to the noticeable decline in demand from a major customer for a software release over the course of the year. With a gross profit of 8.52 million euros (previous year: 8.92 million euros) and an EBT of 0.58 million euros (previous year: -1.83 million euros), business development is in line with the adjusted expectations for the 2017 consolidated financial statements.

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

In the financial year 2017, the asknet Group processed around 1.30 million transactions in its two business units. Transaction revenues generated fell by 8 percent to 68.39 million euros (previous year: 73.96 million euros). Sales revenues, which form the basis for the Group's gross profits used to cover its costs, fell by 4 percent to 66.16 million euros in the reporting period (previous year: 68.72 million euros). The decline in sales revenue is primarily due to the fact that large individual transactions concluded in the Academics Business Unit in the previous year could not be repeated by comparable transactions. The eCommerce Solutions Business Unit, on the other hand, recorded higher sales due to the launch of several new customer shops. In line with the decline in sales, cost of purchased merchandise fell by around 4 percent to 57.64 million euros. Gross profit, the key performance indicator for the asknet Group's business, fell by 5 percent to 8.52 million euros. In addition to the absence of a large package deal in the academic sector, this decline is attributable to lower demand than in the previous year for a high-yielding software release from a major customer in the eCommerce Solutions Business Unit. The gross profit margin, based on sales revenue, fell slightly from 13.0 percent to 12.9 percent due to the increase in the share of customer business with lower-margin contracts.

Other operating income rose by 0.3 million euros to 0.95 million euros, mainly due to the reversal of provisions for Norway of 0.24 million euros. In addition, asknet is adapting to the industry standard and activates its software development costs for the first time for the financial year 2017. Own work capitalized amounted to 1.64 million euros. As a result of capitalization, total output in the Group fell only slightly by 1 percent to 68.75 million euros (previous year: 69.37 million euros). The capitalization serves to document the value of software development work in a dynamic market with ever shorter product cycles and to position itself more clearly in terms of innovative strength and future viability vis-à-vis other market participants and customers.

Gross profits, semi-annual
in € million



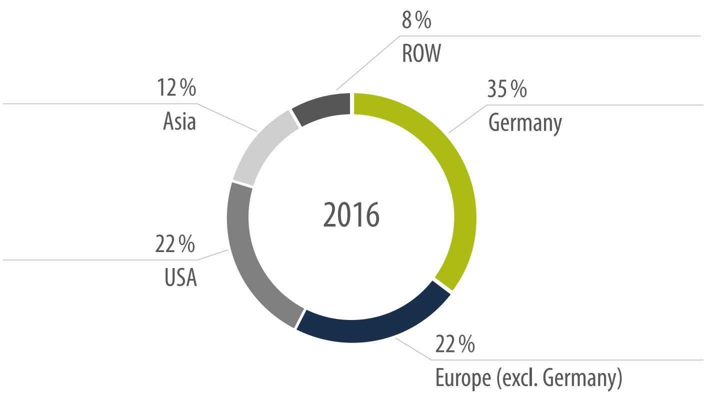
Personnel expenses in the asknet Group fell by around 8 percent to 4.95 million euros in the past financial year (previous year: 5.37 million euros). As a result, personnel costs as a percentage of gross profit fell to 58.1 percent (previous year: 60.2 percent). Other operating expenses fell significantly by 8 percent to 4.94 million euros. In the past year, this item had been burdened by a one-off charge of 0.36 million euros due to the reappraisal of the Norwegian issue, including a provision for penalties, which included costs for the extraordinary shareholders' meeting, associated legal and consulting costs.

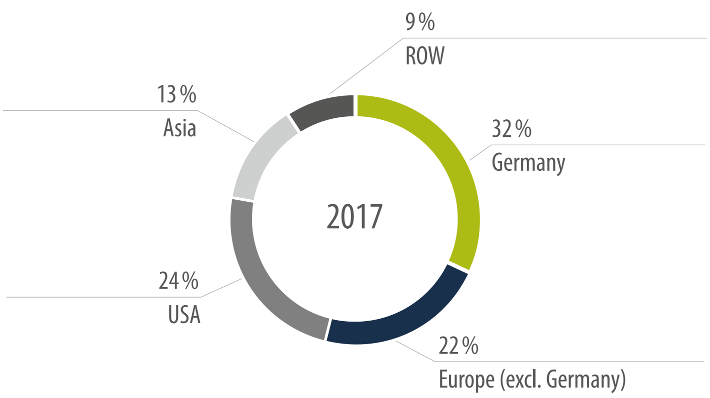
Depreciation and amortization rose significantly in the reporting period from 0.15 million euros to 0.41 million euros. This is due to the conclusion of new software license agreements in the Academics Business Unit in December 2016, which means that old inventory licenses now have to be written off in stages.

The earnings position of the asknet Group improved significantly in 2017 and the break-even point was again exceeded. It should be noted that in 2016 extraordinary expenses in connection with the reappraisal of the Norway issue had been included. Overall, an operating result (EBIT) of 0.59 million euros (previous year: -1.65 million euros) was achieved in the reporting period. Earnings before taxes (EBT) in the asknet Group amounted to 0.58 million euros in the reporting period, compared to -1.83 million euros in the previous year. As a result of the capitalization of software development costs and the conjunct disparity between commercial and tax balance sheet, a higher recognition of deferred taxes became necessary in the amount of 0.50 million euros (previous year: 0.0 million euros). The consolidated net profit (EAT) rose to 67 thousand euros (previous year: -2.50 million euros).

Business in Germany continues to be the most important source of revenue for the asknet Group. However, the revenues generated there fell slightly to 32 percent (previous year: 35 percent) in the period under review, while revenues generated elsewhere in Europe accounted for 22 percent, as in the previous year. Sales in the US rose from 22 to 24 percent. With 13 percent the Asian market also contributed more to sales revenues (previous year: 12 percent). The remaining regions accounted for 9 percent of sales (previous year: 8 percent).

Sales revenues by regions
in %





Sales revenues of **asknet AG** as an individual company fell by around 4 percent to 66.16 million euros in the year under review (previous year: 68.72 million euros), in line with the development of the Group. Transaction revenues fell to 68.39 million euros in the reporting period, compared to 73.96 million euros in the previous year. Accordingly, the cost of purchased goods also fell by 4 percent from 59.80 million euros in the financial year 2017 to 57.64 million euros.

In the reporting period, gross profit in the asknet AG amounted to 8.52 million euros in line with the Group's income and were thus around 5 percent below the previous year's figure of 8.92 million euros. The gross profit margin of asknet AG related to sales amounted to 12.9 percent (previous year: 13.0 percent).

Personnel expenses fell from 5.03 million euros by 7 percent to 4.67 million euros in the financial year 2017, while other operating expenses amounted to 5.23 million euros in the reporting period at asknet AG, compared with 5.72 million euros in 2016, which, like the Group, was burdened by the reappraisal of the Norway issue in the previous year.

Own work capitalized amounted to 1.64 million euros. As a result of the capitalization, total performance in the asknet AG fell only slightly by 1 percent to 68.75 million euros (previous year: 69.37 million euros). Other operating income rose from 0.64 million euros to 0.95 million euros. This was mainly due to the reversal of provisions for Norway of 0.24 million euros.

The operating result (EBIT) of asknet AG amounted to 0.56 million euros in the financial year 2017. Earnings before taxes (EBT) amounted to 0.55 million euros. As a result of the capitalization of software development costs and the conjunct disparity between commercial and tax balance sheet, a higher recognition of deferred taxes became necessary in the amount of 0.49 million euros (previous year: 0.0 million euros).

Overall, the company reported a net profit (EAT) of 51 thousand euros (previous year: -2.52 million euros). The balance sheet result under commercial law in the reporting period amounted to 51 thousand euros (previous year: -3.68 million euros).

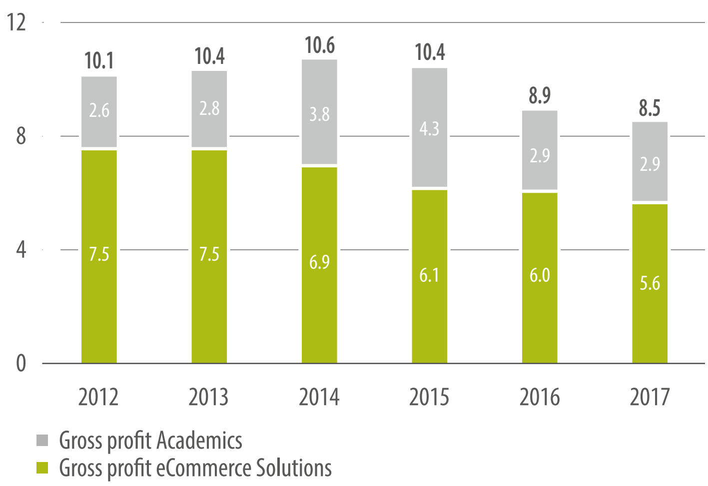
PERFORMANCE OF THE BUSINESS UNITS

In the reporting period, the asknet Group's business units achieved major sales successes. The operating situation improved compared with the previous year, but was negatively impacted by several non-recurring effects. Due to the new customer agreements and sales cooperation, a further significant improvement in both business units is expected in 2018.

In the eCommerce Solutions Business Unit, the continued successful launch of new shops for Asian customers led to a 1 percent increase in net sales to 49.25 million euros (previous year: 48.77 million euros). The positive development of the new customer shops more than compensated for a significant decline in demand compared with the previous year for a software release from a major customer. However, as this release is a particularly profitable business, the decline in demand led to a shift towards lower-margin new customer sales and thus to a 7 percent decline in gross profit in this business unit from 6.00 million euros to 5.59 million euros.

In the Academics Business Unit, asknet recorded a significant decline in sales revenue of 19.96 million euros, down 15 percent to 16.91 million euros. This is mainly due to the fact that low-margin bulk software transactions could not be settled to this extent. However, in terms of gross profits this decline was offset by an increase in higher margin business with more comprehensive solutions over the course of the year and a strong development at the end of the year as a result of the new Academics sales cooperation agreements. In total, gross profit of 2.93 million euros was at the previous year's level (previous year: 2.91 million euros).

Gross profits by business units
in € million



NET ASSETS AND FINANCIAL POSITION

At 11.22 million euros, the asknet Group's total assets as of December 31, 2017 were at the same level as on the previous year's reporting date (December 31, 2016: 11.48 million euros).

On the assets side, the value of intangible assets rose considerably by 85 percent to 2.91 million euros as a result of the first-time capitalization of software development costs, which led to an increase in fixed assets of 70 percent to 3.1 million euros. In contrast, current assets fell by 15 percent to 7.98 million euros. On the one hand, this was due to a 17 percent decline in trade accounts receivable to 3.17 million euros as of the balance sheet date. In addition, cash and cash equivalents fell from 5.16 million euros to 4.46 million euros. This is mainly due to the final settlement of the claims of the Norwegian tax authorities, which resulted in a liquidity-related release of provisions.

On the liabilities side, the effective reduction of the share capital by 4,584,852 euros to 509,428 euros as of July 7, 2017 and the offsetting of the reduced amount of 4,584,852 euros against the consolidated balance sheet loss as of December 31, 2016 resulted in a pro forma inflow into the capital reserve of 902,717.87 euros. As of the balance sheet date, the capital reserve amounted to approximately 1.37 million euros, which includes the further inflow of 417,724.40 euros in connection with the capital increase of November 2017. Furthermore, the issue of 50,942 new registered shares resulted in an increase of the share capital to 560,370.00 euros as of the reporting date. As a result of the capital reduction and the positive contribution to consolidated net income, the consolidated balance sheet result rose to 0.16 million euros (previous year: -3.59 million euros). In total, equity increased by 30 percent to 2.14 million euros. The Group's equity ratio rose to 19 percent as of the balance sheet date (previous year: 14 percent).

The capital reduction thus cleared asknet's financial basis from the one-off expenses of the previous year and paved the way for the change process to progress. The capital increase and the entry of the new majority shareholder The Native SA create additional stability.

Trade accounts payable rose slightly from 4.59 million euros to 4.69 million euros. However, as with receivables, this is merely a short-term increase due to the balance sheet date. Other liabilities fell from 1.59 million euros to 1.07 million euros due to the settlement of receivables from the Norwegian tax authorities. Total liabilities fell by around 7 percent to 5.76 million euros. Other provisions fell from 3.11 million euros to 2.71 million euros as a result of the reversal of the item formed in connection with the Norway issue. Due to the capitalization of software development costs, deferred taxes amounting to 0.49 million euros (previous year: 0.0 million euros) had to be accounted for. As of the balance sheet date, the asknet Group had no financial liabilities.

The Group's cash flow from operating activities amounted to 0.61 million euros in the financial year (previous year: 0.36 million euros). The main reason for the positive cash flow was the significantly improved consolidated net income of 67 thousand euros (previous year: -2.50 million euros) as well as the reduction of receivables (0.8 million euros). A decrease in liabilities and the derecognition of provisions (-0.4 million euros) had a negative impact on cash flow. Cash flow from investing activities amounted to -1.72 million euros as a result of capitalization. Cash flow from financing activities amounted to 0.46 million euros, due to the capital inflow from the capital increase subscribed by The Native SA in the amount of 0.47 million euros.

The Group's total financing is managed by asknet AG, which provides the Group companies with sufficient cash and cash equivalents. In addition to internal financing from the cash flow generated, sufficient credit lines are available, which were hardly utilized in the year under review. In the year under review, sufficient liquidity was thus available at all times.

The balance sheet total of **asknet AG** decreased only slightly to 11.10 million euros as of December 31, 2017. In the previous year, the total assets of asknet AG amounted to 11.33 million euros. While fixed assets rose by 64 percent to 3.27 million euros due to the capitalization of software development costs, current assets fell by 16 percent to 7.69 million euros. This was mainly due to a decline in trade receivables due to the cut-off date. Cash and cash equivalents fell by 14 per cent to 3.45 million euros, due to the liquidity-related release of provisions.

On the liabilities side, shareholders' equity increased by 36 percent to 1.98 million euros. This resulted in an equity ratio of 18 percent (previous year: 13 percent). Provisions fell by 12 percent to 2.70 million euros. Other liabilities fell by 32 percent to 1.07 million euros as a result of the settlement of receivables from the Norwegian tax authorities. Trade accounts payable rose slightly by 2 percent to 4.69 million euros as of the balance sheet date. Total liabilities fell by 7 per cent to 5.81 million euros. As of the balance sheet date, asknet AG had no financial liabilities.

CORPORATE BODIES

The entry of The Native SA in November 2017 was associated with the buyout of a group of major shareholders of asknet AG. This resulted in a complete change in the Supervisory Board of asknet AG. Effective as of November 17, 2017 Serge Umansky, Chief Investment Officer of Whiteridge Advisors SA and Vice Chairman of The Native SA, and Norman Hansen, Chairman of the Board of Directors of Holotrack AG, have been appointed by the Karlsruhe Local Court for the remaining term of office. Attorney Jörn Matuszewski, substitute member of the Supervisory Board of asknet AG prior to the transaction, is also a member of the new Supervisory Board from November 10, 2017 on. Serge Umansky serves as chairman, his deputy is Norman Hansen.

Effective November 16, 2017, asknet AG also added Sergey Skatershchikov, Chairman of the Board of Directors of The Native SA, to the Executive Board of asknet AG. Sergey Skatershchikov is an international executive with more than

20 years of management and board level experience in listed and private companies. In his new role as CFO of asknet he will support the acting CEO Tobias Kaulfuss.

EMPLOYEES

As of December 31, 2017, asknet Group employed 85 people (including Executive Board, trainees and temporary staff), of which 78 were employed by asknet AG and 7 by the subsidiaries asknet Switzerland GmbH, the US subsidiary asknet Inc. and the Japanese subsidiary asknet K.K.

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. 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 11 asknet.academy events were organized in the financial year 2017.

REPORT ON RELATIONS WITH AFFILIATED COMPANIES PURSUANT TO SECTION 312 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board of asknet AG has prepared a report on relations with affiliated companies for the financial year from January 1 to December 31, 2017 in accordance with § 312 of the German Stock Corporation Act (AktG). The report contains the following final statement:

The Executive Board declares that all transactions were made on terms equivalent to those that prevail in arm's length transactions, based on the circumstances known to it at the time when such transactions were made. Other measures within the meaning of section 312 AktG were neither taken nor omitted.

OPPORTUNITY AND RISK REPORT

OPPORTUNITIES

Over the past three financial years, 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. By providing additional features and self-service functionalities for the asknet eCommerce Suite and launching a fourth generation procurement portal in 2017, the technological basis and future viability of the asknet Group was significantly strengthened. The current financial year will also see the company focus on enhancing its sales activities in both business units. Internationalization is a priority for the company. The new structures and processes facilitate this push significantly.

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 preconditions for identifying and leveraging new potential in this market. Upselling potential exists, for instance, in the field of software asset management or the new Office 365 full package. 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. The expansion of the software portfolio, such as the new cooperation with ANSYS, also offers additional opportunities for growth. 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. Currently, the expansion of the cooperation with IBM into the Scandinavian market is particularly promising.

The **eCommerce Solutions Business Unit** 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 and 2017, 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. Therefore asknet focuses on highlighting the unique selling proposition of the company, the advantages of full-service outsourcing and the "merchant of record" model as well as the possibility of rapid and global internationalization. Here, asknet is increasingly profiting from the growing complexity of international transactions. New tax regulations, the Payment Services Directive II (PSD II), which has been in force since January 13, 2018, and the General Data Protection Regulation applicable from May 25, 2018, make worldwide distribution more complex. Increasing compliance requirements in digital commerce mean that more and more companies are outsourcing their international trading activities to full-service providers such as asknet AG. asknet has recently been able to arouse great interest in the eCommerce Solutions Business Unit, also outside of Asia, which has been vital for sales success in the recent past, and has gained a number of new customers. In 2018, asknet will also intensify its sales activities in the North American market.

Further significant potential is being tapped from the collaboration with the new majority shareholder The Native SA, which involves the use of synergies and the development of new, joint customer groups. The asknet Group gains access to the marketing competence of The Native SA Group and the company's worldwide customer network. In addition, asknet also benefits from the financial strength of the overall network, as The Native's long-term strategic commitment results in a clear future perspective for the asknet group, which is reflected positively in its approach to customers and partners.

Opportunities also arise from the recent reorganisation of the company, which led to a significant reduction in marginal costs. In the market for the digital distribution of software, which is characterized by a high degree of maturity, competitors primarily compete on price, therefore cost advantages matter even more. In addition, asknet differentiates itself in this market by the possibility of offering both digital and physical goods worldwide, while competitors often offer only one of the two product groups. In the long term, the company sees opportunities above all in the production of its portfolio, whereby modules of the eCommerce value chain are to be expanded into stand-alone products.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Since 2016, asknet Group has had a completely revised risk management system. The basis of the asknet risk management is a "Code of Conduct", which sensitizes the entire workforce to dealing with risks 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.

In addition, as part of the 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 also 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 of elementary nature.

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 conducted 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 2017, the contribution of the top ten customers to asknet's gross profits slightly decreased from a 62 percent share to 60 percent. Some of these customers were acquired just recently in 2016. With several shops contributing to sales revenues and earnings for the first time on a full-year basis, this share will further decrease in 2018. 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. 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 regions outside Europe, predominantly 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. In order to avoid this, a system has been established to ensure, also through the right delegation of responsibilities, that the execution of process optimizations runs as planned. 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 and the impact to be rather low, 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, 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.

With an equity ratio of 19.1 percent (previous year: 14.3 percent) and cash and cash equivalents of 4.46 million euros at the balance sheet date of December 31, 2017, financing bottlenecks are not expected to occur in 2018. In the event that the company's capital requirements arise in medium term, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until June 17, 2020 by up to a total of 2,469,058 euros against cash and/or non-cash contributions by issuing new registered no-par value shares (Authorised Capital 2015).

In addition, the Company's share capital may be increased by up to a nominal amount of 1.5 million euros (Conditional Capital 2016) by August 22, 2021 through the issue of bonds with warrants, convertible bonds, profit participation rights or participating bonds. Should the transaction be executed, the subscription is guaranteed by The Native SA, but would be open to all shareholders of asknet AG. However, there are currently no concrete plans to make use of this option.

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 demotivated 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 regular 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. In order to counteract these risks more effectively, a revision of the risk management was carried out in 2016 and processes were professionalized with external help so that changed requirements in individual supplier countries can be identified in a timely manner and the probability of such a risk occurring was significantly reduced.

At the beginning of 2011, the company became aware that a large number of credit memos did not meet the requirements of section 14 (1) to (4) of the German Value Added Tax Act (UStG) and therefore did not qualify for input tax deduction. Thereupon, the corresponding incorrect credit memos were corrected and corrected VAT returns were filed in a timely manner. In accordance with § 233a A0, the tax office set additional payment interest of approximately EUR 764,000. Invoking the so-called Pannon Gép Centrum jurisdiction of the European Court of Justice as well as pending BFH appeal proceedings, an appeal was filed against both the refusal of the input tax deduction and the interest notices, and an application for a reduction of interest at equity was made. After rejection of the equitable application, an appeal against this rejection was filed. All appeals, with the exception of the 2005 assessment period, are currently suspended. The client has been granted suspension of execution in the full amount. On May 24, 2017, the financial court of Baden-Württemberg ruled in favour of the company in the case. The Karlsruhe tax office has filed an appeal against this ruling with the Federal Fiscal Court. The proceedings are conducted there under case number V R 48/17.

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.

Overall risk position

The company's management believes that the challenges resulting from the above risks will again be mastered successfully in 2018. Besides those mentioned here, no material risks occurred or became known prior to the publication of this management report.

FORECAST

ANTICIPATED MACROECONOMIC AND SECTOR-RELATED DEVELOPMENTS

The IMF expects the global economy to grow by 3.9 percent in the current year 2018. With an increase in economic output of 4.9 percent, the group of emerging and developing countries is expected to exceed the growth of 2017. A further increase of 2.3 percent is forecast for the industrialized countries. According to the IMF, economic growth in the USA is expected to amount to 2.7 percent, while the Euro-zone's economic strength is expected to increase by 2.2 percent. A growth of 2.3 percent is expected for Germany.

In the e-commerce market, the dynamic growth of recent years will continue. The US market research company eMarketer expects B2C online trading to grow by 21.1 percent to just under 2.8 trillion US dollars in the current year. According to eMarketer, an average annual growth of around 18 percent is expected by 2021. The share in total retail will increase from 10.1 percent in 2017 to an estimated 15.5 percent in 2021. In its current forecast, the German Retail Association (HDE) predicts a growth of 9.7 percent to a volume of 53.4 billion euros for German online retailing.

Worldwide B2B e-commerce is also expected to grow strongly. Forrester Research expects investments of approximately 2.4 billion US dollars in B2B commerce platforms by 2021.

According to forecasts by the US analyst firm Gartner, worldwide IT spending will increase significantly once again in 2018 by 4.5 percent. The main drivers of this growth are the areas of enterprise software (+9.5 percent), IT hardware (+5.6 percent) and IT services (+5.5 percent). The sentiment in the German IT sector is also positive with a significant rise in the number of employees. The digital association Bitkom expects a 6.3 percent increase in revenues in the current financial year in the IT software sector. The IT services segment is expected to grow by 2.6 percent.

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 an increase of 500,000 new students per year until 2019. According to Statistik Austria, the number of students in the neighbouring country is expected to rise to 423,000 by 2035 and thus by 14 percent within 20 years. According to the Statistical Office, despite the expected decline in population, the average number of students in Switzerland is expected to increase by 0.6 percent per year, so that the number of students at Swiss universities will reach 259,000 in 2025 – an increase of 9 percent within ten years.

COMPANY FORECAST

In the financial year 2017, the asknet Group was able to continue the successful sales performance of the previous year on the basis of the internal improvements and the reduced production costs achieved in the previous change programs. Thanks to a new, customer-focused approach and a proactive sales focus, the **eCommerce Solutions Business Unit** expanded its sales base and established a large number of new customer relationships. The number of small and medium-sized customers that have been acquired since the start of the change initiative has meanwhile exceeded the total number of customers before the start of the process. The good development in new customer shops will continue in the current year. Furthermore, several shops will contribute to sales revenues and earnings for the first time on a full-year basis. In addition to the continued high level of reception in Asia, asknet was also able to intensify and successfully complete the sales efforts in the eCommerce Solutions Business Unit in other regions in 2017. On the basis of a promising new customer pipeline, asknet plans to continue this development in 2018.

In the **Academics Business Unit**, the reorganization of sales, various new sales alliances and new services developed in 2017 have already paid off. In particular, the cooperation with ANSYS and IBM in Scandinavia will make a significant positive contribution to business development in 2018. In addition, the company is receiving support from an experienced IBM expert since the beginning of March 2018 through the IBM "Champions for Growth" program. He will initially be responsible for global business development in the Buiness Unit Academics for the next 18 months. The focus is on pushing forward the analytics business internationally and expanding cooperation with IBM to include topics such as block chain and AI applications.

The entry of the new major shareholder, The Native SA, is a key element in the successful development of the future, as the long-term strategic commitment, both internally and externally, provides a clear future perspective for the asknet Group. In addition, the cooperation with the new strategic majority shareholder has high synergy potential, especially in the eCommerce Solutions Business Unit. For example, it is planned to use shared resources and develop new, joint customer groups. In addition, asknet gains access to the marketing competence of the Native SA Group and the company's worldwide contacts.

Overall, the Executive Board of asknet AG is optimistic about the financial year 2018 and expects a **significant increase in gross profits at Group level** due to the positive development of both divisions. As the shift to lower-margin businesses will continue, the **gross profit margin on sales revenues will fall slightly**. With regard to earnings, the Executive Board expects a **slightly positive operating result (EBT)** despite rising costs from a targeted investment in personnel resources and in the technological basis of the company. Based on the measures taken to increase sales and earnings, the goal of a pre-tax profit (EBT) of around 10 percent of gross profit is to be achieved by 2020. The resulting increase in financial flexibility and increasing attractiveness for investors is then to be used to a greater extent for investments in technological and strategic development as well as accelerated growth of the company through new profitable products and services.

asknet AG offers its stakeholders a high degree of transparency. However, the company will not publish interim reports for the first and third quarters of the year in order to conserve resources in line with the size of the company. Yet, investors continue to enjoy a high degree of transparency and security with the initial listing on the Basic Board of the Frankfurt Stock Exchange, which entails the publication of annual and semi-annual reports as well as compliance with the rules of the EU Market Abuse Regulation.

The Executive Board of the asknet Group would like to thank all customers, business partners and investors for their confidence and all employees for their dedication and commitment in the financial year 2017.

Karlsruhe, March 23, 2018
asknet AG
– The Executive Board –

Tobias Kaulfuss

Sergey Skatershchikov

AUDITORS' REPORT

To **asknet AG, Karlsruhe:**

We have audited the **consolidated financial statements** – comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity – and the combined management report for the company and the Group (combined management report) of **asknet AG, Karlsruhe**, Germany, for the business year from January 1, 2017 to December 31, 2017. The preparation of the consolidated financial statements and the combined management report in accordance with German commercial law is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated 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 consolidated 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 Group 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 consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes an evaluation of the annual financial statements of those entities included in consolidation, of the determination of entities to be included in consolidation, the accounting and consolidation principles applied and the conclusions drawn by the Executive Board of the company, as well as an analysis of the overall representation given in the consolidated 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 consolidated 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 Group in accordance with (German) principles of proper accounting. The combined management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Karlsruhe, March 23, 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Volker Hecht	Christiane Keßler
Auditor	Auditor

ASKNET AG, KARLSRUHE

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as of December 31

in €

		2017	2016
ASSETS			
A.	**Fixed Assets**		
I.	Intangible fixed assets		
1.	Self-created industrial property rights and similar rights	1,642,557.50	0
2.	Acquired industrial property rights and similar rights	1,268,856.29	1,573,056.68
II.	Tangible fixed assets		
	Other equipment, operating and office equipment	196,896.63	257,686.53
		3,108,310.42	**1,830,743.21**
B.	**Current Assets**		
I.	Inventories		
	Merchandise	44,949.61	89,691.52
II.	Receivables and other Assets		
1.	Trade receivables	3,166,262.47	3,800,522.85
2.	Other assets	305,882.02	378,388.24
		3,472,144.49	4,178,911.09
III.	Cash-in-hand, bank balances, cheques	4,462,641.47	5,156,111.60
		7,979,735.57	**9,424,714.21**
C.	**Prepaid Expenses**	**134,413.95**	**228,229.43**
		11,222,459.94	**11,483,686.85**

32 CONSOLIDATED BALANCE SHEET
34 CONSOLIDATED INCOME STATEMENT
35 CONSOLIDATED CASH FLOW STATEMENT
36 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
37 NOTES TO THE 2017 CONSOLIDATED FINANCIAL STATEMENTS
42 OTHER DISCLOSURES
44 CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

		2017	2016
EQUITY AND LIABILITIES			
A.	**Equity**		
I.	Subscribed capital (Contingent capital € thousand 1,500, p.y. € thousand 1,500)	560,370.00	5,094,283.00
II.	Capital reserve	1,370,442.27	50,000.00
III.	Currency translation differences	56,075.83	91,345.10
IV.	Consolidated balance sheet result	157,985.65	–3,590,669.78
		2,144,873.75	**1,644,958.32**
B.	**Provisions**		
	Other provisions	**2,714,433.37**	**3,106,360.87**
C.	**Liabilities**		
I.	Trade payables	4,691,268.74	4,590,095.53
II.	Other liabilities of which taxes € 1,014,161.56 (previous year € 1,410,675.35) of which relating to social security and similar obligations € 6,307.53 (previous year € 6,829.78)	1,073,399.16	1,590,002.10
		5,764,667.90	**6,180,097.63**
D.	**Deferred Income**	**109,869.92**	**552,270.03**
E.	**Deferred Tax Liabilities**	**488,615.00**	0
		11,222,459.94	**11,483,686.85**

CONSOLIDATED INCOME STATEMENT

January 1 until December 31

in €

	2017	2016
1. Sales revenues	66,155,792.85	68,724,026.26
2. Capitalized development activities	1,642,557.50	0
3. Other operating income	949,477.74	646,120.17
	68,747,828.09	**69,370,146.43**
4. Cost of materials		
a) Cost of purchased merchandise	–57,640,536.67	–59,804,739.98
b) Cost of purchased services	–230,837.05	–356,131.90
5. Personnel expenses		
a) Wages and salaries	–4,230,259.86	–4,611,606.30
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)	–714,824.35	–754,241.30
6. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	–405,920.77	–146,528.98
7. Other operating expenses	–4,936,605.62	–5,349,897.54
	–68,158,984.32	**–71,023,146.00**
8. Interest and similar income	70.77	203.48
9. Interest and similar expenses	–10,734.26	–181,255.94
10. Taxes on income and earnings thereof expenses from allocation of deferred taxes €488,615.00 (previous year: €0.00)	–496,784.01	722.59
	–507,447.50	**–180,329.87**
11. Earnings after taxes	**81,396.27**	**–1,833,329.44**
12. Other taxes	–14,877.97	–662,207.76
13. Consolidated net income	**66,518.30**	**–2,495,537.20**
14. Accumulated losses brought forward	–3,590,669.78	–1,095,132.58
15. Reduction of subscribed capital to cover for losses	3,682,137.13	0
16. Consolidated balance sheet result	**157,985.65**	**–3,590,669.78**

CONSOLIDATED CASH FLOW STATEMENT

January 1 until December 31

in € thousand

		2017	2016
1.	**Cash flows from operating activities**		
	Consolidated net profit	67	–2,496
	Amortization and depreciation of fixed assets	406	147
	Profit on the disposal of depreciation and amortization charges on noncurrent asset	0	0
	Loss on the disposal of depreciation and amortization charges on noncurrent asset	40	0
	Increase (+)/decrease (–) in provisions	–392	282
	Increase (–)/decrease (+) in receivables and other assets	845	941
	Increase (+)/decrease (–) in liabilities	–369	1,485
	Interest paid (+)/received (–)	11	2
	Cash flows from operating activities	**608**	**362**
2.	**Cash flows from investing activities**		
	Purchase of intangible fixed assets	–1,660	–519
	Purchase of tangible fixed assets	–64	–66
	Cash flows from investing activities	**–1,724**	**–585**
3.	**Cash flows from financing activities**		
	Proceeds from capital increase	5,054	0
	Payments from capital reduction	–4,585	0
	Interest paid	–11	–2
	Cash flows from financing activities	**458**	**–2**
4.	**Cash funds at end of period**		
	Net change in cash funds (subtotal 1–3)	–659	–225
	Effect on cash funds of foreign exchange rate movements	–34	49
	Cash funds at beginning of period	5,156	5,332
	Cash funds at end of period	**4,463**	**5,156**
5.	**Components of cash funds**		
	Cash funds at end of period	**4,463**	**5,156**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal year 2017

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**
Jan 1, 2017	**5,094,283.00**	**50,000.00**	**–3,590,669.78**	**91,345.10**	**1,644,958.32**
Capital reduction	–4,584,855.00	902,717.87	4,584,855.00		
Capital increase through payments from new shareholders	50,942.00	417,724.40	–902,717.87		
Consolidated net result			0.00	0.00	0.00
Other consolidated income			66,518.30	–35,269.27	31,249.03
Consolidated balance sheet result	–4,533,913.00	1,320,442.27	3,748,655.43	–35,269.27	499,915.43
Dec 31, 2017	**560,370.00**	**1,370,442.27**	**157,985.65**	**56,075.83**	**2,144,873.75**

NOTES

TO THE 2017 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 partly incorporated the additional disclosures required for individual items into the notes.

The financial 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

In the reporting period, asknet AG capitalized internally generated intangible assets for the first time.

Internally generated commercial property rights and similar rights and assets are capitalized at cost (development costs) provided that there is at least a high probability on the balance sheet date that an asset will actually be created. The cost of production comprises the individually attributable costs from the consumption of goods and the utilization of services. Internally generated commercial property rights and similar rights and assets are written off systematically over their expected useful lives on a pro rata temporis basis using the straight-line method.

The **development costs** capitalized in 2017 will be amortized from 2018, as the projects were completed at the end of 2017.

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.

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

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 write-downs.

Cash and cash equivalents comprising bank balances and cash on hand 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.

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 financial 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.

All foreign currency assets and liabilities were translated into euros on the financial statement date using the respective mean exchange rate. 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. **Current foreign currency receivables** (remaining term of up to one year) as well as cash and cash equivalents or other current foreign currency assets are translated at the mean spot exchange rate on the balance sheet date in accordance with section 256a HGB.

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".

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.

EXPLANATORY NOTES TO THE BALANCE SHEET

Fixed assets

The changes in the individual fixed asset items during the financial 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 560,370.00 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.

Capital reduction

The company's annual general meeting held on July 6, 2017 decided a capital reduction by 3.00 euros to avoid rounding differences resulting from the redemption of own shares as well as a further capital reduction by 4,584,852.00 euros through a reverse stock split.

Prior to that annual general meeting, three registered shares were made available to asknet AG free of charge. The annual general meeting decided to first execute a capital reduction by 3.00 euros to 5,094,280.00 euros in simplified form through the redemption of these shares.

The annual general meeting furthermore decided to subsequently reduce the company's share capital by 4,584,852.00 euros to 509,428.00 euros. The capital was reduced through a reverse stock split in which ten registered shares of asknet AG were merged into one registered share.

The proceeds from the capital reduction were used to cover the loss carried forward (3,682,137.13 euros). The excess amount of 902,717.87 euros was allocated to the capital reserve.

The table below shows the changes in the consolidated balance sheet result in the financial year:

€ thousand	
Jan. 1, 2017	–3.591
Netting with capital reduction amount	3.682
Consolidated net income	67
Consolidated balance sheet result Dec. 31, 2017	**158**

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). Based on this authorization, the company's Executive Board decided on November 7, 2017, with the consent of the Supervisory Board, to use part of the authorized capital and to increase the company's share capital from 509,428.00 euros to 560,370.00 euros by issuing 50,942 new registered shares against cash contribution at an issue price of 9.20 euros per share in an ex-rights issue pursuant to section 203 in conjunction with section 186 paragraph 3 sentence 4 AktG. The lowest issue price is 1.00 euro per share. The excess amount of 417,724.40 euros was allocated to the capital reserve.

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. 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.

Deferred taxes

After netting of deferred tax assets and deferred tax liabilities (comprehensive balance sheet method), there was a deferred tax liability of 488 thousand euros as of the balance sheet date of December 31, 2017. The differences between the commercial balance sheet and the tax balance sheet, which resulted in deferred tax liabilities, are primarily the result of the prohibition to capitalize internally generated intangible assets in the tax balance sheet. Deferred tax assets resulted from the recognition of different values for other provisions.

The table below shows the deferred taxes and their changes in the financial year 2017:

€ thousand	Dec 31, 2016	Addition[1]	Disposal[1]	Dec 31, 2017
deferred tax assets	0	19	0	19
deferred tax liabilities	0	–507	0	–507
Total				–488

[1] Recognized in "Income tax".

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales revenues

€ thousand

	2017	2016
SALES REVENUES BY BUSINESS UNIT		
eCommerce Suite	49,248	48,766
Academics	16,907	19,958
	66,156	68,724
SALES REVENUES BY REGION		
Germany	21,154	24,319
Europa (excluding Germany)	14,415	15,333
USA	16,014	15,338
Asia	8,736	8,183
Other countries	5,837	5,551
	66,156	68,724

Other operating income

Other operating income included income from the reversal of provisions unrelated to the accounting period (370 thousand euros) as well as other income unrelated to the accounting period (6 thousand euros). This item also essentially included income from currency translation (332 thousand euros; previous year: 277 thousand euros).

Other operating expenses

Other operating expenses included expenses from currency translation in the amount of 434 thousand euros (previous year: 462 thousand euros).

Income tax

Income tax relates to deferred taxes (488 thousand euros; prev. year: 0 thousand euros) and corporate income tax refunds for previous years (1 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 DISCLOSOURES

RESEARCH AND DEVELOPMENT COSTS

Research and development costs in the financial year 2017 totaled 2,276 thousand euros of which an amount of 1,643 thousand euros relates to internally generated intangible assets.

OTHER FINANCIAL OBLIGATIONS

asknet has other financial obligations in the form of rental agreements and leases in the amount of 909 thousand euros.

Total financial obligations of the Group:

in €

	Rent	Leasing	Total
Due within one year	167,721.06	42,122.55	209,843.61
Due in one to five years	637,741.67	61,337.58	699,079.25
Due after five years	–	–	–
	805,462.73	103,460.13	**908,922.86**

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 1,341 thousand euros in the contractual period ending on December 31, 2021.

EMPLOYEES

During the financial year, the Group employed an average number of 79 employees in Germany (previous year: 87) and 7 abroad (previous year: 8; not including Executive Board, trainees, and temporary employees).

CORPORATE BODIES

Executive Board

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

- **Mr Tobias Kaulfuss**, Dipl. Kaufmann, MBA, Essen (Germany)
- Since November 16, 2017: **Mr Sergey Skatershchikov**, MBA, Moscow (Russia)

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 following members served on the Supervisory Board in the financial year until November 10, 2017:

- **Dr. Joachim Bernecker**, Management Consultant, Straubenhardt (Germany): Chairman
- **Thomas Krüger**, Eichenau, Managing Director Ad Astra Erste Beteiligungs GmbH, and Ad Astra Venture Consult GmbH, both of Munich (Germany): Deputy Chairman
- **Michael Neises**, Attorney and Partner of the partnership Heuking Kühn Lüer Wojtek, Frankfurt (Germany)

A new Supervisory Board assumed office on November 15, 2017. It is composed as follows:

- **Serge Umansky,** Chief Investment Officer of Whiteridge Advisors SA (Switzerland), domiciled in Lausanne (Switzerland): Chairman
- **Norman Hansen**, Chairman of the Board of Directors of Holotrack AG (Switzerland), domiciled in Kiev (Ukraine): Vice Chairman
- **Jörn Matuszewski**, Attorney of the partnership Heuking Kühn Lüer Wojtek (Düsseldorf), domiciled in Meerbusch (Germany); since November 10, 2017

In 2017, the Supervisory Board received remuneration of 45 thousand euros.

Auditing and consulting fees

The total fee charged by the auditor for the financial year 2017 comprised 44 thousand euros for audit services and 9 thousand euros for tax consulting services.

Shareholders of asknet AG

On December 12, 2017, The Native SA, Lausanne/Switzerland, informed asknet AG in accordance with section 20 paragraph 1 AktG that it directly holds more than one quarter of the shares of the company. The Native SA directly holds 40.79 percent of the shares.

Post-balance sheet events

On January 3, 2018, The Native SA, Lausanne/Switzerland, informed asknet AG in accordance with section 20 paragraph 1 AktG that it directly holds a majority share in the company. The Native SA directly holds 51.37 percent of the shares.

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 23, 2018

asknet AG

– Executive Board–

Tobias Kaulfuss

Sergey Skatershchikov

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

2017

in €

		Cost			
		Jan 1, 2017	Additions	Disposals	Dec 31, 2017
I.	**Intangible fixed assets**				
1.	Self-created industrial property rights	0.00	1,642,557.50	0.00	1,642,557.50
2.	Acquired industrial property rights	2,252,907.11	17,061.23	401,923.44	1,868,044.90
		2,252,907.11	**1,659,618.73**	**401,923.44**	**3,510,602.40**
II.	**Tangible fixed assets**				
2.	Other equipment, operating and office equipment	1,381,699.17	63,694.41	309,729.59	1,135,663.99
		3,634,606.28	**1,723,313.14**	**711,653.03**	**4,646,266.39**

Depreciation, amortization and write-downs				Carrying amount	
Jan 1, 2017	Additions	Disposals	Dec 31, 2017	Dec 31, 2017	Dec 31, 2016
0.00	0.00	0.00	0.00	1,642,557.50	0.00
679,850.43	290,100.96	370,762.78	599,188.61	1,268,856.29	1,573,056.68
679,850.43	**290,100.96**	**370,762.78**	**599,188.61**	**2,911,413.79**	**1,573,056.68**
1,124,012.64	115,819.80	301,065.08	938,767.36	196,896.63	257,686.53
1,803,863.07	**405,920.76**	**671,827.86**	**1,537,955.97**	**3,108,310.42**	**1,830,743.21**

ASKNET AG, KARLSRUHE

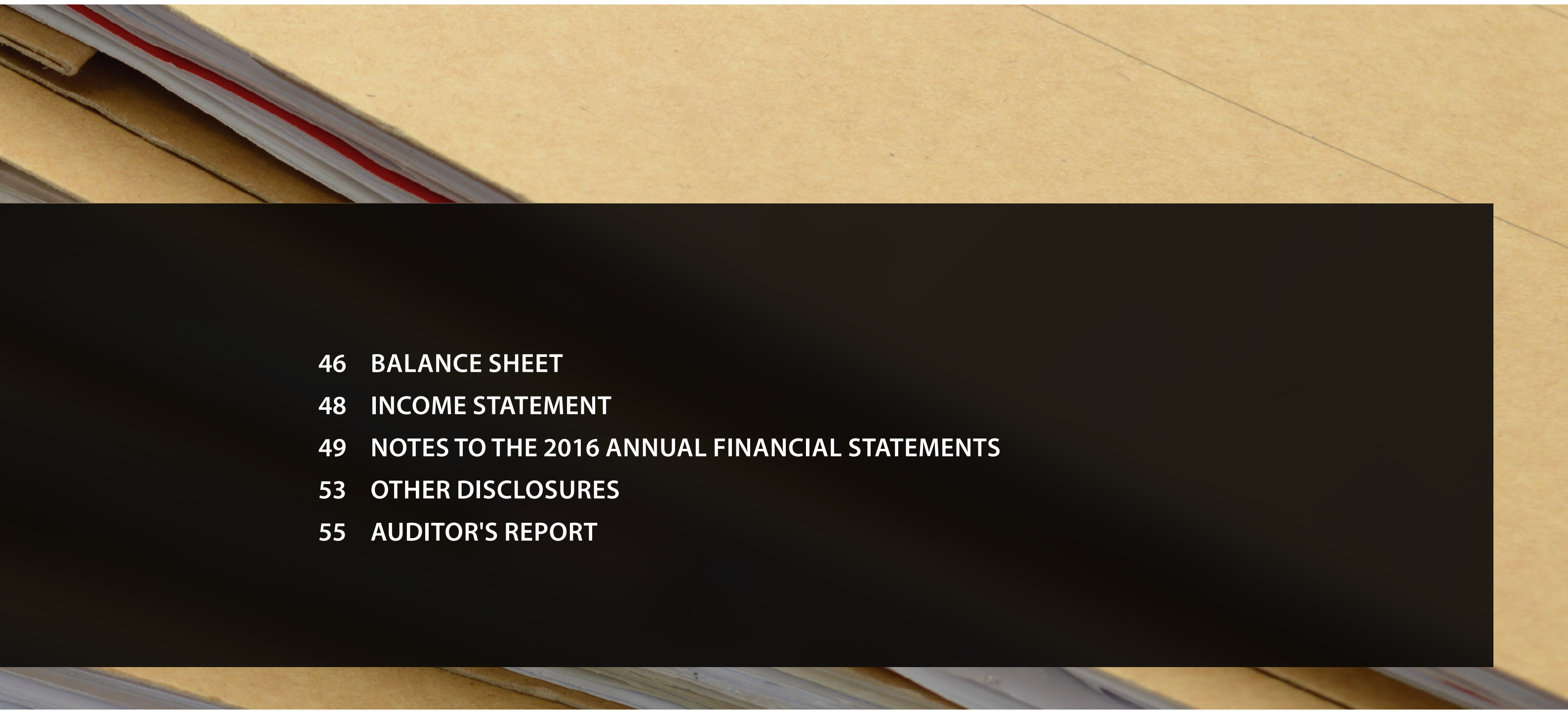
ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

as of December 31

in €

		2017	2016
ASSETS			
A.	**Fixed Assets**		
I.	Intangible fixed assets		
1.	Self-created industrial property rights	1,642,557.50	0.00
2.	Acquired industrial property rights and similar rights	1,268,619.27	1,573,056.68
II.	Tangible fixed assets		
	Other equipment, operating and office equipment	194,041.58	253,303.40
III.	Long-term financial assets		
	Shares in affiliated companies	162,397.90	162,397.90
		3,267,616.25	**1,988,757.98**
B.	**Currrent Assets**		
I.	Inventories		
	Merchandise	44,949.61	89,691.52
II.	Receivables and other assets		
1.	Trade receivables	3,166,262.47	3,800,522.85
2.	Receivables from affiliated companies	748,246.77	870,295.91
3.	Other assets	280,253.93	349,649.95
		4,194,763.17	**5,020,468.71**
III.	Cash-in-hand and bank balances	3,448,680.85	4,006,820.71
		7,688,393.63	**9,116,980.94**
C.	**Deferred Income**	**134,413.95**	**228,229.43**
		11,090,423.83	**11,333,968.35**



46 BALANCE SHEET
48 INCOME STATEMENT
49 NOTES TO THE 2016 ANNUAL FINANCIAL STATEMENTS
53 OTHER DISCLOSURES
55 AUDITOR'S REPORT

		2017	2016
EQUITY AND LIABILITIES			
A.	**Equity**		
I.	Subscribed capital (Contigent capital € thousand 1,500, p.y. € thousand 1,500)	560,370.00	5,094,283.00
II.	Capital reserve	1,370,442.27	50,000.00
III.	Balance sheet result	50,793.56	–3,682,137.13
		1,981,605.83	**1,462,145.87**
B.	**Provisions**		
	Other provisions	**2,697,728.10**	**3,076,178.04**
C.	**Liabilities**		
1.	Trade payables	4,689,189.86	4,587,430.20
2.	Liabilities to affiliated companies	50,015.96	71,889.40
3.	Other liabilities of which taxes € 1,014,161.56 (previous year € 1,319,721.99) of which relating to social security and similar obligations € 6,307.53 (previous year € 6,829.78)	1,073,399.16	1,584,054.81
		5,812,604.98	**6,243,374.41**
D.	**Deferred Income**	**109,869.92**	**552,270.03**
E.	**Deferred Tax Liabilities**	**488,615.00**	**0.00**
		11,090,423.83	**11,333,968.35**

INCOME STATEMENT

January 1 until December 31

in €

	2017	2016
1. Sales revenues	66,155,792.85	68,724,026.26
2. Capitalized development activities	1,642,557.50	0.00
3. Other operating income	949,269.12	639,714.84
	68,747,619.47	**69,363,741.10**
4. Cost of materials		
a) Cost of purchased merchandise	–57,640,536.67	–59,804,739.98
b) Cost of purchased service	–230,837.05	–356,131.90
5. Personnel expenses		
a) Wages and salaries	–3,965,622.71	–4,287,182.78
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)	–707,524.15	–742,311.10
6. Amortization and write-downs of intangible fixed assets and depreciations of intangible fiexed assets	–404,859.55	–144,727.31
7. Other operating expenses	–5,234,016.83	–5,715,232.26
	–68,183,396.96	**–71,050,325.33**
8. Other interest and similar income of which from affiliated companies € 0.00 (previous year € 11.14)	70.77	192.34
9. Interest and similar expenses of which from affiliated companies € 0.00 (previous year € 0.00)	–10,734.26	–181,255.94
10. Tax refund on income and net worth thereof expenses from the allocation of deferred taxes € 488,615.00 (previous year € 0.00)	–488,399.83	722.59
	–499,063.32	**–180,341.01**
11. Result after taxes	**65,159.19**	–1,866,925.24
12. Other taxes	–14,365.63	–652,196.91
13. Net income	**50,793.56**	–2,519,122.15
14. Losses brought forward	–3,682,137.13	–1,163,014,.98
15. Reduction of subscribed capital	4,584,855.00	0.00
16. Contribution to capital reserve	902,717.87	–3,682,137.13
17. Balance sheet result	**50,793.56**	**–3,682,137.13**

NOTES

TO THE 2017 ANNUAL FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Gerneral 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, 2017, the company fulfilled the size classification for a medium-sized corporation.

The additional disclosures required for individual items are partly included in the notes.

The financial 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

In the reporting period, internally generated intangible assets were capitalized for the first time.

Internally generated commercial property rights and similar rights and assets are capitalized at cost of production (development costs) provided that there is at least a high probability on the balance sheet date that an asset will actually be created. The cost of production comprises the individually attributable costs from the consumption of goods and the utilization of services. Internally generated commercial property rights and similar rights and assets are written off systematically over their expected useful lives on a pro-rata temporis basis using the straight-line method.

The **development costs** capitalized in 2017 will be amortized from 2018, as the projects were completed at the end of 2017

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 life.

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.

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

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 write-downs.

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.

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 financial 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.

All **foreign currency assets and liabilities** were translated into euros on the financial statement date using the respective mean exchange rate. 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. Current foreign currency receivables (remaining term of up to one year) as well as cash and cash equivalents or other current foreign currency assets are translated at the mean spot exchange rate on the balance sheet date in accordance with section 256a HGB.

EXPLANATORY NOTES TO THE BALANCE SHEET

Fixed assets

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

SHAREHOLDINGS

	Reporting date	Currency	Share in %	Equity in local currency	Result in local currency
asknet Inc. San Francisco, USA	31/12/2017	USD Td.	100.0	168	8
asknet KK Tokyo, Japan	31/12/2017	Yen Td.	100.0	22,716	1,642
asknet Switzerland GmbH Uster, Switzerland	31/12/2017	CHF Td.	100.0	24	0

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).

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
The subscribed capital amounts to 560,370 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.

Capital reduction
The company's annual general meeting held on July 6, 2017 decided a capital reduction by 3.00 euros to avoid rounding differences resulting from the redemption of own shares as well as a further capital reduction by 4,584,852.00 euros through a reverse stock split.

Prior to that annual general meeting, three registered shares were made available to asknet AG free of charge. The annual general meeting decided to first execute a capital reduction by 3.00 euros to 5,094,280.00 euros in simplified form through the redemption of these shares.

The annual general meeting furthermore decided to subsequently reduce the company's share capital by 4,584,852.00 euros to 509,428.00 euros. The capital was reduced through a reverse stock split in which ten registered shares of asknet AG were merged into one registered share.

The proceeds from the capital reduction were used to cover the loss carried forward (3,682,137.13 euros). The excess amount of 902,717.87 euros was allocated to the capital reserve.

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). Based on this authorization, the company's Executive Board decided on November 7, 2017, with the consent of the Supervisory Board, to use part of the authorized capital and to increase the company's share capital from 509,428.00 euros to 560,370.00 euros by issuing 50,942 new registered shares against cash contribution at an issue price of 9.20 euros per share in an ex-rights issue pursuant to section 203 in conjunction with section 186 paragraph 3 sentence 4 AktG. The lowest issue price is 1.00 euro per share. The excess amount of 417,724.40 euros was allocated to the capital reserve.

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.

Deferred taxes

After netting of deferred tax assets and deferred tax liabilities (comprehensive balance sheet method), there was a deferred tax liability of 489 thousand euros as of the balance sheet date of December 31, 2017. The differences between the commercial balance sheet and the tax balance sheet, which resulted in deferred tax liabilities, are primarily the result of the prohibition to capitalize internally generated intangible assets in the tax balance sheet. Deferred tax assets resulted from the recognition of different values for other provisions.

The table below shows the deferred taxes and their changes in the financial year 2017:

€ thousand	Dec 31, 2016	Addition[1]	Disposal[1]	Dec 31, 2017
Deffered tax assets	0	19	0	19
Deffered tax liabilities	0	–507	0	–507
Total				–488

[1] Recognized in "Income tax".

EXPLANATORY NOTES TO THE INCOME STATEMENT

Other operating income

Other operating income included income from the reversal of provisions unrelated to the accounting period (370 thousand euros) as well as other income unrelated to the accounting period (6 thousand euros). This item also essentially included income from currency translation (332 thousand euros; previous year: 277 thousand euros).

Other operating expenses

Other operating expenses included expenses from currency translation in the amount of 434 thousand euros (previous year: 448 thousand euros).

Income tax

Income tax relates to deferred taxes (488 thousand euros; prev. year: 0 thousand euros) and corporate income tax refunds for previous years (1 thousand euros).

OTHER DISCLOSURES

RESEARCH AND DEVELOPMENT COSTS

Research and development costs in the financial year 2017 totaled 2,276 thousand euros of which an amount of 1,643 thousand euros relates to internally generated intangible assets.

OTHER FINANCIAL OBLIGATIONS

asknet has other financial obligations in the form of rental agreements and leases in the amount of 895 thousand euros.

Total financial obligations
in €

	Rent	Leasing	Total
Due within one year	166,655.88	42,122.55	208,778.43
Due within one to five years	624,959.55	61,337.58	686,297.13
Due after five years	–	–	–
	791,615.43	103,460.13	**895,075.56**

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 1,341 thousand euros in the contractual period ending on December 31, 2021.

EMPLOYEES

During the financial year, the company employed an average number of 79 employees (previous year: 87; not including Executive Board, trainees, and temporary employees).

CORPORATE BODIES

Executive Board

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

- **Mr Tobias Kaulfuss**, Dipl. Kaufmann, MBA, Essen (Germany)
- Since November 16, 2017: **Mr Sergey Skatershchikov**, MBA, Moscow (Russia)

In accordance with section 286 paragraph 4 HGB, the amount of the total remuneration of the Executive Board pursuant to 285 paragraph 9a HGB is not disclosed.

Supervisory Board

The following members served on the Supervisory Board in the financial year until November 10, 2017:

- **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
- **Michael Neises**, Attorney and Partner of the partnership Heuking Kühn Lüer Wojtek (Frankfurt), Germany

A new Supervisory Board assumed office on November 15, 2017. It is composed as follows:

- **Serge Umansky**, Chief Investment Officer of Whiteridge Advisors SA (Switzerland), domiciled in Lausanne (Switzerland): Chairman
- **Norman Hansen**, Chairman of the Board of Directors of Holotrack AG (Switzerland), domiciled in Kiev (Ukraine): Vice Chairman
- **Jörn Matuszewski,** Attorney of the partnership Heuking Kühn Lüer Wojtek (Düsseldorf), domiciled in Meerbusch (Gemany); since November 10, 2017

In 2017, the Supervisory Board received remuneration of 45 thousand euros.

Total fee charged by the auditor

In accordance with section 288 paragraph 2 sentence 2 HGB in conjunction with section 285 no. 17 HGB, the total fee charged by the auditor for the financial year is not disclosed.

Amounts subject to a payout block (sections 253 paragraph 6, 268 paragraph 8 HGB (amended)

The following amounts were subject to a payout block as of the reporting date:

	€ thousand
Internally generated intangible fixed assets	1,643
less deferred tax liabilities	-507
AMOUNT I SUBJECT TO PAYOUT BLOCK	**1,136**
Other deferred tax assets	19
less other deferred tax liabilities	0
AMOUNT II SUBJECT TO PAYOUT BLOCK	**19**
	1,155

GROUP AFFILIATION

The company is included in the consolidated financial statements of asknet AG, Karlsruhe, which prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are published in the electronic Federal Gazette.

Moreover, the company's financial statements are included in the consolidated financial statements of The Native SA, headquartered in Lausanne/Switzerland, which prepares the consolidated financial statements for the largest group of entities.

On August 3, 2017, 5EL SA, Lausanne/Switzerland (later renamed The Native SA), informed asknet AG in accordance with section 20 paragraph 4 AktG that it directly holds a majority share in the company. The Native SA directly holds 51.37 percent of the shares of asknet AG.

PROFIT APPROPRIATION PROPOSAL

The Executive Board proposes to carry the net income in the amount of 50,793.56 euros forward to new account.

POST BALANCE SHEET EVENTS

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 23, 2018

asknet AG

Tobias Kaulfuss

Sergey Skatershchikov

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 combined management report for the company and the Group (combined management report) of **asknet AG, Karlsruhe**, for the business year from January 1, 2017 to December 31, 2017. 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 representatives. 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 23, 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Volker Hecht
Auditor

Christiane Keßler
Auditor

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,
In the 2017 financial 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 five physical meetings during the 2017 financial 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 financial 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.

A special focus of the Supervisory Board activity in the reporting period were the preparations and the execution of a nominal share capital reduction at a ratio of 10:1 through a reverse stock split. The main purpose of the capital reduction was to balance out the loss posted in the balance sheet for the period ended December 31, 2016 and to restructure the balance sheet in the process. The percentage shares held by the shareholders in asknet AG did not change as a result. For this purpose, the company's share capital of EUR 5,094,283, divided into 5,094,283 registered shares, was initially reduced by EUR 3 to EUR 5,094,280 in accordance with section 237 paragraph 3 No. 1 of the German Stock Corporation Act (AktG – Aktiengesetz) to achieve a number of shares that was divisible by ten and was then reduced by EUR 4,584,852 to EUR 509,428 in accordance with section 222 et seq. of the German Stock Corporation Act (AktG – Aktiengesetz). The reduced amount of EUR 4.584.852.00 was then offset against the loss of EUR 3,682,137.13 posted as of December 31, 2016 and the remaining amount of EUR 902,714.87 was allocated to the capital reserve. The last trading day of the asknet AG shares under ISIN DE0005173306 was August 10, 2017. The shares were first listed under the new ISIN DE000A2E3707 on August 11, 2017.

In the reporting period, the Supervisory Board also addressed financing-related topics and, on November 8, 2017, approved a capital increase from authorized capital proposed by the Executive Board in order to improve the equity base.
In the context of this capital increase, the company's share capital of EUR 509,428.00 was increased by EUR 50,942.00 to EUR 560,370.00 against cash contributions through the issue of 50,942 registered voting shares at a price of EUR 9.20 per share.

Changes in the Supervisory Board
There were changes in the Supervisory Board in the financial year 2017. In connection with the acquisition of a majority shareholding by The Native SA (formerly 5EL SA), Lausanne/Switzerland, in November 2017, Dr. Joachim Bernecker (Supervisory Board Chairman), Marc Wurster, Michael Neises and substitute members Ulrich Klemm and Tim Stracke resigned from the Supervisory Board. They were replaced by Serge Umansky (Chief Investment Officer of Whiteridge Advisors SA), Norman Hansen (Chairman of the Board of Directors of Holotrack AG) and Jörn Matuszewski (attorney and tax consultant of Heuking Kühn Lüer Wojtek, Düsseldorf).

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

At the meeting on March 31, 2017, besides addressing the usual subjects of performance and outlook, particular emphasis was placed on the results reported in the 2016 annual report. Following in-depth consultation between the Supervisory Board and the auditors, the separate financial statements and the consolidated financial statements for 2016 were approved unanimously. Other important items on the agenda of the meeting on March 31, 2017 included the presentation of the process optimization exercise in the accounting department, the business trend in the eCommerce Solutions and Academic Business Units, reports on the program management and the ongoing improvement processes, the resolution of the Supervisory Board regarding the achievement of the Executive Board objectives for the 2016 financial year and the resolution of the Supervisory Board regarding the definition of the Executive Board objectives for the 2017 financial year.

The next Supervisory Board meeting was held on July 5, 2017, one day prior to the Annual General Meeting on July 6, 2017, and focused on the final agreements for the AGM and a thorough discussion of the capital reduction. Other items on the agenda of the meeting on July 5, 2017 included the current business trend and the cash flow analysis for 2017, which showed that asknet AG is solidly funded for the next months. The Supervisory Board members also addressed various investment-related topics and issues. In addition, the sales tax issue in Norway was discussed on the basis of the current tax assessment notice on a tax payable (sales tax backpayment, interest and penalty combined) in the amount of EUR 714 thousand. In this context, the Supervisory Board also discussed the possibility to claim damages from Executive Board members that were responsible at the time and/or from their D&O insurers.

The Supervisory Board meeting on September 28, 2017 focused on the business trend and the Executive Board's forecast for the expected 2017 results. Regarding the eCommerce Solution Business Unit, the members discussed the continuous acquisition of new customers in the Asian region and the resulting future opportunities. They also addressed the restructuring of the payment service providers, which aims to significantly reduce the number of service providers and to cut costs in the process. Finally, the Supervisory Board consulted on the tenders won from existing customers of the Academics Business Unit and the corresponding effects.

At the extraordinary Supervisory Board meeting on November 10, 2017, the Supervisory Board unanimously appointed Mr Sergey Skatershchikov to the Executive Board to serve as Chief Financial Officer with immediate effect. The appointment of Mr Skatershchikov was made in conjunction with the acquisition of a majority share in asknet by Switzerland-based The Native SA (formerly 5EL SA). The tenure of Sergey Skatershchikov will end on December 31, 2017. He receives no compensation for his activity as Chief Financial Officer.

The last meeting of 2017 was held by the – newly composed – Supervisory Board on December 6, 2017. The Supervisory Board thoroughly discussed the current situation of the Business Units and closely addressed the Executive Board's plans for the 2017 results. The Supervisory Board members also discussed the prospects and plans for the new financial year 2018. At this meeting, Mr Serge Umansky was elected new Chairman of the Supervisory Board and Mr Norman Hansen was elected his deputy. The extension of Mr Sergey Skatershchikov's contract as CFO until June 30, 2018 was also approved at the meeting. Other topics included the planning and the approval of the budget for 2018; in addition, the Supervisory Board authorized the Executive Board to appoint the Heuking Kühn Lüer Wojtek partnership for all capital market related matters, with Supervisory Board member Jörn Matuszewski abstaining from this vote.

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:

- Resolution to consent to the Investment Agreement between asknet AG and 5EL SA;
- Resolution to institute legal proceedings against former Executive Board members Michael Konrad and Ute Imhof, at the recommendation of attorney Schröder, for omissions/misconduct in conjunction with the sales tax not charged in Norway;

Annual general meeting

asknet AG's annual general meeting was held on July 6, 2017. The main items on the agenda, besides granting discharge to the Executive Board and the Supervisory Board, were the elections to the Supervisory Board and of substitute members as well as the election of the auditors for the 2017 financial year and the resolution on the reduction of the share capital of asknet AG. The resolutions for all agenda items were carried by the required 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.

Audit of the annual financial statements 2017

At the annual general meeting on July 6, 2017, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, was commissioned to perform the audit of the financial reports for the 2017 financial year. Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, audited asknet AG's annual financial statements for the period ending December 31, 2017 and the management report of asknet AG and issued an unqualified audit certificate. The Executive Board's report on relations with affiliated companies (dependent company report) was also audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. 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 management reports, 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 28, 2018, 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 2017 financial year as well as the dependent company report were examined in detail by the Supervisory Board. Based on its 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 28, 2018, 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.

Following the final result of the Supervisory Board's review, no objections were raised against the final statement in the Executive Board's dependent company report.

Composition of the Executive Board

In the financial year 2017, Mr Sergey Skatershchikov was appointed to the Executive Board of asknet AG as Chief Financial Officer with effect from November 16, 2017, where he joined former sole Board member Tobias Kaulfuss.

The Supervisory Board of asknet AG would like to take this opportunity to expressly thank the resigning Supervisory Board members for their great commitment to the interests of the company and all the company's employees for their commitment and their successful work and achievements in the 2017 financial year. The Supervisory Board wishes asknet AG every success in the 2018 financial year.

Karlsruhe, March 31, 2018

The Supervisory Board

Serge Umansky
(Chairman of the Supervisory Board)

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FINANCIAL CALENDAR 2018

April 13, 2018
Publication Financial Report 2017

June 28, 2018
Annual General Meeting

September 28, 2018
Publication Half Year Report 2018

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