

# H1/2010

January 1 to June 30, 2010



**XING** 

Half Year Report 2010

<b>Key Figures</b>		<b>H1/2010</b>	<b>H1/2009</b>	<b>Q2/2010</b>	<b>Q2/2009</b>	<b>Q1/2010</b>
Total revenue <sup>1)</sup>	in € million	25.86	21.54	13.26	10.79	12.60
thereof "Subscriptions"	in € million	20.59	17.38	10.51	8.92	10.07
thereof "e-Recruiting"	in € million	2.99	2.23	1.55	1.03	1.44
thereof "Advertising"	in € million	1.65	1.10	0.88	0.52	0.77
EBITDA	in € million	7.04	5.90	3.74	2.49	3.30
EBITDA-margin	in %	27	27	28	23	26
Result for the period	in € million	2.60	2.18	1.35	0.49	1.26
Free Cash flow	in € million	11.06	(7.10)	3.96	(1.40)	7.10
Free Cash flow per share	in €	2.10	(1.34)	0.75	(0.27)	1.35
Earnings per share (undiluted)	in €	0.50	0.42	0.26	0.09	0.24
Equity	in € million	55.95	55.07	55.95	55.07	54.31
Net Cash	in € million	53.93	35.85	53.93	35.85	49.96
Member base	in millions	9.63	7.91	9.63	7.91	9.17
thereof paying subscribers	in thousands	718	635	718	635	708
Employees		305	246	305	246	293

<sup>1)</sup> including other operating income

# Mission Statement

A person with contacts will go far. A person with good contacts will go even further. What was once the province only of select societies is now available to everyone, thanks to the internet. Thanks to XING, the online network for business contacts. Over nine million professionals use the XING global business network to do business, make deals, and further their careers. XING offers custom-tailored networking features and services to help them create their networks and stay in touch. XING hosts about 40 thousand expert groups and assists its members in organizing over 150 thousand networking events every year around the globe. With XING Jobs, the network also features job ads to enable its members to leverage their professional contacts for creating real value.

**XING. Powering Relationships.**

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## Dear ladies and gentlemen, shareholders, XING members, and employees,

This half year report for 2010 shows that XING is pursuing strong growth following on from a financial year full of change. A successful first quarter has been followed up in Q2 by the strongest level of member growth experienced over the last 15 months along with the highest quarterly operating result (EBITDA) in the history of the company. In addition, we also increased profitability with H1/2010 revenues of €25.86 million, an increase of 20 percent over the same period last year. During the same period, our EBITDA rose proportionally to revenues, increasing by 19 percent to €7.04 million. XING's operating result of €3.74 million for Q2 was the highest ever in the company's history.

We also managed to increase the number of members worldwide by 460 thousand to 9.63 million as of the end of June, which is excellent considering that Q2 is traditionally a weak performer. This in turn means that we achieved our strongest quarterly growth for the last 15 months, and acquired 880 thousand new members during H1/2010. We also gained 31 thousand new paying Premium Members, taking the overall figure to 718 thousand as of the end of the second quarter.

With regard to our new sources of income, e-Recruiting and Advertising, also achieved key milestones with rapid growth levels experienced within both divisions. As a result, e-Recruiting revenues amounted to €2.99 million in H1/2010, which equates to a 34 percent increase over the same period last year (€2.23 million). Customized ads offered by XING Jobs and access to four million employees in German-speaking countries alone puts XING in a unique position to reach out to and contact valuable potential candidates. The huge benefits provided by XING Jobs can be seen in the increasing number of companies opting to place ads there, thus increasing revenues in this division during Q2. In fact we achieved a 51 percent increase over the same quarter last year, which also helped to drive our already impressive growth rates even further.

Our Advertising division even managed to surpass these excellent growth levels with strategic decisions taken at the start of the year and new business models such as Company Profiles producing H1/2010 Advertising revenues of €1.65 million compared to €1.10 million last year. The second quarter alone saw a 68 percent increase compared to the same period last year.

We are very happy with the growth rates we have experienced in both business divisions, which go to show their strategic relevance as sources of income for future financial growth at XING AG.

Overall, the developments seen during H1/2010 provide us with encouragement for H2/2010. As announced, our profitability will continue to increase with every quarter, and we are witnessing huge growth potential in our core markets, i.e., German-speaking countries (Germany, Austria and Switzerland - DACH), Spain, and Turkey.

Thank you for the trust you have vested in us. We're looking forward to a successful second half of the year!

Hamburg, August 2010



Dr. Stefan Gross-Selbeck  
CEO  
XING AG



Ingo Chu  
CFO  
XING AG



Michael Otto  
CTO  
XING AG



Dr. Helmut Becker  
CCO  
XING AG

# XING share

## XING share data

<b>Number of shares</b>	5,272,447
<b>Type of share</b>	Registered share
<b>IPO</b>	December 7, 2006
<b>Trading symbol</b>	O1BC
<b>German securities identification number (WKN)</b>	XNG888
<b>ISIN</b>	DE000XNG8888
<b>Bloomberg</b>	O1BC
<b>Reuters</b>	OBCGn.DE
<b>Market segment</b>	Prime Standard
<b>Stock exchanges</b>	Berlin, Bremen, Dusseldorf, Frankfurt, Munich, Stuttgart

## XING share

<b>Figures of XING shares at a glance</b>	<b>H1/2010</b>	<b>H1/2009</b>
XETRA closing price end of period	28.00 €	29.72 €
High	29.87 €	33.87 €
Low	28.00 €	29.64 €
Market capitalization end of period	€147.6 million	€156.7 million
Average trading volume per trading day	10,173	6,158
Ranking in TecDAX		
Based on trading turnover	36	41
Based on market capitalization	36	30
Earnings per share (undiluted)	0.50 €	0.42 €
Free cash flow per share	2.10 €	-1.34 €

<b>XING share vs. indices in %</b>	<b>H1/2010</b>
XING AG	-9
TecDAX	-10
DAX	+10
SDAX	0

# Financial information

for the six-month period from January 1 to June 30, 2010

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Review report



# Consolidated interim management report

## for the six-month period from January 1 to June 30, 2010

## Business and industry development

### General and industry-specific conditions

#### General economic situation

The global financial crisis presented companies as well as economies worldwide with a new set of challenges. For the first time since World War II, global production levels shrank in 2009, with Germany hit particularly hard due to its intense international export focus. Major reductions, especially in terms of exports, meant that the real gross domestic product of 5 percent in 2009 was the largest drop in the history of the German Federal Republic. There are however signs that the financial markets are recovering and Germany is starting to climb its way out of the global crisis with the German Federal Employment Agency reporting 3.1 million people unemployed in June, a reduction of 257 thousand compared to June last year. This in turn equates to an employment rate of 7.5 percent, which is the same level as that prior to the crisis. The positive development of the German economy has also been confirmed by the Kiel Institute for the World Economy, which is predicting a 2.1 percent rise in the German real gross domestic product for 2010.

#### Market development

The Internet had more than 1.8 billion users worldwide at the start of 2010. As reported by market researcher Comscore, two out of three Internet users now take advantage of social networks, which equates to somewhere in the region of 1.2 billion people. In terms of the activities that Internet users spend most of their time on, social networking holds second place worldwide and actually tops the list in Europe with people spending an average of five hours a month on social networking.

From a technological perspective, social networking technology is increasingly dominating the online world with social networks taking advantage of existing applications. As a result of this trend, XING AG has laid the foundations for partnerships in this area by investing in a high-performance interface infrastructure which includes integrating XING within Microsoft Outlook 2010.

Due to the high pace of innovation on the mobile telephony market as a result of more affordable and increasingly powerful smartphones, new application platforms (iTunes, Google Market, Ovi, Bada, JIL, etc.), and increasingly inexpensive data plans, XING AG predicts rapid growth in terms of mobile Internet usage over the next few years. More than 23 percent of the German population uses a mobile device to surf the net on a regular basis (Sempora Research 2010). Morgan Stanley even predicts that the number of mobile Internet users worldwide will overtake the number of desktop Internet users by 2014. Social networks are one of the driving forces of mobile Internet usage and XING is reacting to this trend by developing and expanding its mobile offering. iPhone owners were the first group to have access to the XING iPhone application back in 2008 with BlackBerry users being able to use our improved BlackBerry application as of March 2010. In June we launched a new version of our XING Mobile portal (mobile.xing.com), and our first XING Android application was launched in August.

#### Competition

As an online social network for business professionals, XING is in direct competition with other business networking platforms in Europe. XING is the clear market leader in German-speaking countries (DACH) with more than 4.1 million members there, meaning that every fourth business professional in major German cities such as Munich or Frankfurt is registered on XING. In addition, XING is also market leader in the key strategic core markets of Spain and Turkey.

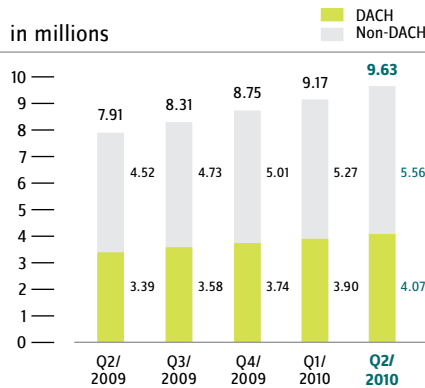
With more than 718 thousand Premium Members, the Company has more paying users than any other social network. And XING Premium Members are happy to pay subscription fees because it's a worthwhile investment that provides genuine added value to people's daily working life - whether they're freelancers using the platform to get work orders, sales people organizing sales activities, or recruiters looking for suitable candidates.

#### Member growth

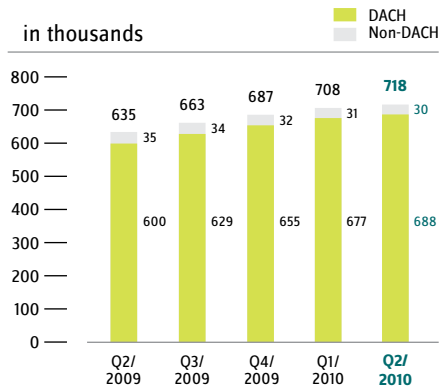
In the first six months of financial year 2010, 880 thousand people joined XING, taking the overall member base worldwide to 9.63 million as of the end of June. As a result, XING AG succeeded in improving member growth with 460 thousand new members signing up during Q2, which is traditionally a slow period, compared to the first three months of 2010 (420 thousand new members). With 460 thousand new members in Q2 2010, XING also achieved its highest member growth rate in the last 15 months. Most of these new members were attributable to the core markets consisting of the German-speaking countries (DACH) as well as our two main international markets in Turkey and Spain. In the German-speaking countries alone, the Company increased its market share with 333 thousand people signing up in the first six months of 2010.

In Turkey, 184 thousand people decided to sign up to the country's largest business network during H1/2010, which helped to boost growth rates there, too. With 908 thousand members, XING has been the undisputed market leader in Turkey since it was launched there. Not only is XING enjoying accelerating

Member split



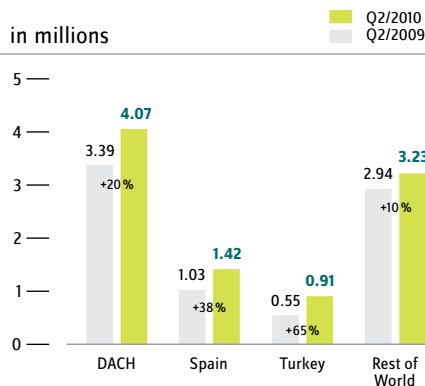
Premium members



growth rates in Turkey, its targeted marketing measures in Spain have also paid off during the first half of 2010 with 232 thousand people signing up. Thanks to its 1.42 million members in Spain, XING is the country's largest business network.

The Company's accelerating growth levels and market leadership have come about as a result of a strategy implemented due to a change in management and increased resource and marketing budget focusing. The number of Premium Members also increased during H1/2010 with 31 thousand XING members opting for the platform's advanced features. As expected, during Q2, net growth of paying members slowed to a level of 11 thousand (compared to 22 thousand in Q1). The addition of the "Search" and "Status update" features to basic memberships in April 2010 also brought the expected development that fewer people converted from a basic to a Premium Membership. Regardless of this short-term development the management sees further growth potential in the "subscriptions" segment mid to long-term.

Member distribution



### Result of operations within the XING Group

During the first half of the year, the Company mainly focused on expanding the XING platform's core features. As part of this move, a number of new features were added to basic memberships while product development was reorganized to further increase the pace and efficiency of development. In line with this, personnel costs during H1/2010 amounted to €9.5 million compared to €7.1 million during the comparative period (i.e., an increase of +34 percent). In addition, marketing costs rose by 45.8 percent from €2.1 million in H1/2009 to €3.1 million in H1/2010. Due to a 20 percent increase in revenues (€25.9 million compared to €21.5 million in the same period last year) and rigorous cost consolidations in other areas (€6.2 million compared to €6.4 million during H1/2009), the EBITDA rose by €1.1 million (an increase of +19.5 percent) to €7.0 million despite additional expansion costs. In terms of services revenues, the EBITDA margin remained largely stable at 27.9 percent vis-à-vis the comparative period (28.0 percent).

Despite further investments in the region of €2.5 million, the scheduled goodwill amortizations of €2.4 million remained at the same level as during H1/2009 (€2.4 million) due to a development-related extension of the XING platform's remaining service life from three to five years. Non-recurring amortizations of €0.3 million were recorded during the previous year.

EBIT therefore amounts to €4.6 million in the first half of 2010, compared to €3.2 million for the same period in the previous year. Taking into consideration the positive net interest income of €0.04 million (first half year of 2009: €0.2 million) and €2 million payable in income tax (first half year of 2009: €1.2 million), this results in consolidated earnings of €2.6 million compared to €2.2 million for the same period in the previous year.

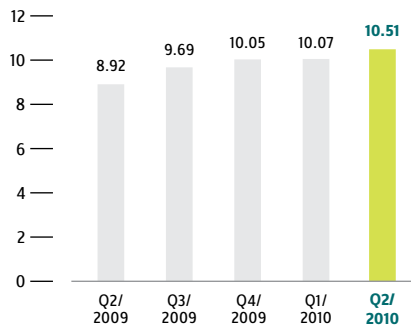
### Development of the business areas

#### "Subscriptions"

Premium Memberships account for about 80 percent of revenues, again making them XING AG's core business and main source of income and revenue during H1/2010. During this period, the Company achieved Premium Membership revenues of €20.59 million compared to €17.38 million in the first half of 2009, equating to an 18 percent year-on-year increase within XING's core business. The number of Premium Members also increased during H1/2010 with 31 thousand XING members opting for the platform's advanced features. As expected, during Q2, net growth of paying members slowed to a level of 11 thousand (compared to 22 thousand in Q1). The addition of the "Search" and "Status update" features to basic memberships in April 2010 also brought the expected development that fewer people upgraded from a basic to a Premium Membership. Regardless of this short-term development the management sees further growth potential in the "subscriptions" segment mid to long-term. Overall, 718 thousand members took out a Premium Membership as of the end of June in order to take advantage of the additional features to drive their business.

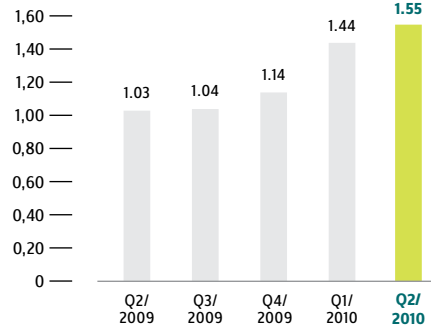
## Revenues from Subscriptions

in € million



## Revenues from e-Recruiting

in € million



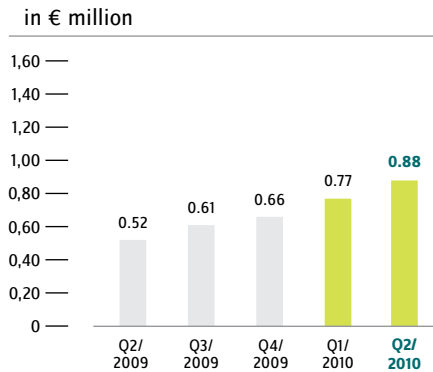
## "e-Recruiting"

XING's second-largest business division, e-Recruiting, performed extremely well during the first half of 2010. The Company offers two price models, pay per click and fixed rate, as well as a Recruiter Membership with advanced filters and search features. In this area, XING achieved revenues of €2.99 million during H1/2010, a 34 percent increase over the same period last year. In a quarterly comparison, XING's Q2 2010 revenues of €1.55 million represent a 51 percent increase over Q2 2009 with growth rates set to continue - quite an achievement on a market which the Company considers to have barely grown over the last year.

This development shows that business networks are the first port of call for recruiters when looking for suitable candidates, in particular when it comes to "passive" job-seekers. As the market leader in Germany, Europe's largest economy, XING AG is excellently positioned to significantly increase its revenues in this segment over the coming years.

The latest "Recruiting Trends 2010" study shows just how important XING is when looking for suitable candidates to fill vacant positions. XING came top, even beating Google, in answer to the question "which social networks do recruiters use the most to look for candidates?"

### Revenues from Advertising



### “Advertising”

In terms of Advertising, which includes Display Advertising, Enterprise Groups, partnerships (Best Offers), and Company Profiles, XING AG achieved H1/2010 revenues of €1.65 million – an increase of 50 percent. Growth rates within this part of the business have accelerated every quarter with Advertising generating revenues of €0.88 million in Q2 alone – an increase of 68 percent mainly supported by the new company profiles as well as strong growth in display advertising. During H1/2010, the Display Advertising team’s main priority was to introduce a new marketing strategy. Having been listed in the Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V. (IVW – German Information Association for the Establishment of the Distribution of Advertising Media) (24.2 million visits) and the Arbeitsgemeinschaft Online Forschung (AGOF – Working Group for Online Media Research), XING’s excellent range and attractive target group in Germany (3.89 million unique users) have now been made transparent for the advertising market. The newly integrated partnership with the advertising agency has proven to be a great success with eCPMs having tripled since beginning of 2010.

## Net assets

On the closing date June 30, 2010, long-term net assets remained unchanged and were valued at €30.1 million (December 31, 2009: €30.1 million). The long-term capital amounted to a 199.8 percent surplus over the long-term net assets (December 31, 2009: 188.2 percent).

On the closing date, the Group's long-term net assets were valued at €88.6 million, which equates to a 9.8 percent increase compared to the value as of December 31, 2009 (€80.7 million). This increase can largely be attributed to an €11 million rise in liquid assets. When compared to the disproportionate increase in income growth of 25.8 percent, XING AG can be seen to have improved its liquidity management. Overall, liquid assets account for 60.9 percent of total assets (December 31, 2009: 53.1 percent).

## Financial position

In the first six months of 2010, XING Group generated **cash flow from operating activities** of €14.2 million compared to €6.3 million during H1/2009. About €3.5 million of this increase is due to a one-off effect caused by a major reduction in the payout periods of XING AG's credit card acquirers. The improved result and closing-date effects were the main reasons for the increase in operative cash flow.

In the first half of 2010, the **cash flow from investing activities** amounted to €-3.1 million (comparative period: €-12.3 million). Along with the investments made in IT due to expansions in this area (€0.5 million; €1.7 million during the same period last year), further investments were attributable to developing and modernizing the XING platform (€1.4 million; €1.7 million during the same period last year). Another €0.6 million was invested in expanding office space and setting up workstations for new employees (comparative period: €0.9 million).

In the first half of 2010, the cash flow from financing activities amounted to €0.0 million. During the same period last year, negative cash flow from financing activities amounted to €-1.1 million, and was largely due to buying back shares.

At the end of the period, **liquid assets** of XING Group amounted to €53.9 million compared to €35.8 million at the end of H1/2009.

With an equity ratio of 63.1 percent as of June 30, 2010 (65.2 percent as of December 31, 2009), XING Group is primarily financed by way of shareholders' equity. This constitutes a sound basis which provides the Company with a high degree of stability even in the event of possible negative developments.

The cash flow margin of 56.3 percent (cash flow from operating activities/service revenues) is running at a very high level. This confirms the intrinsic value of the Company, and permits further investment in future growth.

## Social Media for Companies – how it should be

Over the last seven years, the Internet has evolved into Web 2.0 and social media. But it's not just the technical progress made here that is of primary importance – a shift in perception and use of the Internet within a business environment has also taken place.

Why is it vital that companies understand the continually changing customer behavior surrounding consumption, communication, and information? To what extent do companies really need to get involved? And what's the best way to benefit from this trend?

Nowadays it's considered the norm to use the Internet to find out more about companies and service providers, so practically every company is automatically a part of online discussions, irrespective of whether or not they actually want to be. Businesses have no other choice but to get involved if they don't want to leave it up to others to determine their online image. Companies can create information about products and services centrally, but this doesn't mean that this information is deemed to be important by the customer who would then spread the word. What is growing in importance is business-decision-related information originating from people outside of the company, i.e., customers, partners, competitors, or former employees, which needs to be used to the best possible effect. In order to achieve maximum success within social media, clear goals need to be set and pursued, an internal infrastructure needs to be made available, and communication with current and potential customers, critics, and supporters needs to be both open and authentic. Contrary to popular opinion, social media is not a new form of technology; it is a new form of communication offering companies a wide range of opportunities.

Lots of businesses use social media to increase customer loyalty through targeted dialog while systematically optimizing their products based on online feedback. Some companies use social media as a way of having new products tested by customers before their release to allow input from the intended target group to enter the product development cycle. This not only allows customers to identify with the company and its products, it also helps to save costs.

Online tools such as blogs, Twitter, YouTube, and social networks such as XING are both low-cost and effective. On top of this they have a plethora of uses such as helping to systematically create an online reputation, establish experts, and act as a quick and personal communication channel during times of crisis. Either way, a customer's decision is highly dependent on recommendations he or she receives via social networks.



XING has long been aware of the opportunities that a social network can offer companies - especially one focusing on business and an affluent, well-educated target group. The first version of our Company Profiles appeared in April 2009, and, from November onwards, companies can customize their profiles by adding text and graphics.

The latest development in this regard was implemented in July 2010 with the release of three different versions of our customized Company Profiles. The BASIC Profile is the first-ever free customizable package for businesses, and now we also offer members with freelance status the opportunity to create a Company Profile after receiving a lot of requests from them asking for the option to present their skills and services by way of a Company Profile and not just their personal profile.

XING's Company Profiles are an excellent addition to a company's own website as it helps to position businesses right in there among their target group. Having a profile helps to increase a company's presence on the XING platform, thus also making it easier to find. Features such as a list of employees and contact persons ensure transparency and authenticity, which are vital in the world of social media.

The function allowing every follower of a company to receive company updates is an excellent way of spreading the word by integrating company updates directly within the recipient's network. The XING Enterprise Groups are another example of customer communication options.

XING Corporate Solutions can be individually combined and their content adapted to partners' needs and preferences. This in turn allows companies to focus on communicating with end customers by using, e.g., XING Best Offers and groups. In light of the attractive target group available on XING, the close links between Company Profiles and XING Jobs make it child's play to use XING as an employer branding tool.

Over the past few months, XING has put a lot of time and effort into making it easy for companies to use social media, to offer them a simple, free of charge introduction into the world of social media, and to offer companies a range of different packages and combinations providing a range of solutions to meet various business needs.

## Research and product development

During the first half of 2010, XING AGs long-standing agility in terms of development was channeled into realizing projects across the entire product development chain with further emphasis on expanding SCRUM processes. In order to keep ongoing maintenance and further development agile, we also added the KANBAN method, which in turn helps to ensure the high quality and reliability of the platform. From a product perspective, the first six months of 2010 were defined by an expansion of our Company Profiles and Jobs sections, and our Partner Ecosystem, in conjunction with a focus on increased interaction and growth. The main areas of product development activity included:

- Major improvements to XING Jobs as a result of
  - social network features: "Jobs in my network", "Similar job offers", Twitter sharing and RSS feeds
  - seamless integration of third-party job ads
  - package management features for business customers
- Improvements to XING's core features as a result of
  - the option to share external content in news feeds
  - uncomplicated status updates on member homepages (also available to basic members)
  - new recommendations for groups and profiles that may be of interest to users
- A new and innovative application for Android and BlackBerry cell phones that comes with new contact and messaging management
- Improvements to Company Profiles, especially for paying companies, such as
  - a new "About this company" section giving companies space to present their business in a personalized way
  - a "Like" function for company updates and integration of a Twitter account for companies
  - an "employee network" in which users can see which other companies the employees of a company are connected to
- Additions to the Recruiter membership (display the number of messages, new And/Or links in the search function)
- The XING Partner EcoSystem (OpenSocial), such as
  - a new application called "My Management Models", which provides access to management theories and principles
  - the applications "Ask XING", "XING News", and "Twitter Buzz", which have now reached the full release stage so their beta status has been removed
  - the References application which now permits longer references and offers improved management
  - OpenSocial, which has been updated to version 0.9 and now comes with new language items and standardizations that make it easier to create applications
- Work on the registration process and other parts of the product in order to optimize member growth and reduce the churn rate even further

In order to ensure optimum platform availability and to develop it even further, XING uses both tried-and-tested Perl technology as well as the innovative web development framework Ruby on Rails. In this respect, XING considers itself to be a leading employer and promotes the Rail community through sponsoring and by posting articles. In order to meet the growing number of challenges we expect in future, the product and development team has been expanded with a focus on user interaction specialists.

## Risk report

Permanent monitoring and managing of risks is one of the key tasks of a listed company. For this purpose, XING AG has implemented an early risk-detection system required by Section 91 (2) AktG, and continually makes updates and improvements to recognize both opportunities and risks at an early stage. Each individual employee is called on to actively look for and prevent potential damages to the Company. Their task is to immediately remove all risks in their area of responsibility, and to immediately notify the responsible parties of any indications of existing or arising risks. An essential requirement of such a task is knowledge of the risk management system and maximum risk awareness of each individual employee.

Accordingly, employees are familiarized with the risk management system via periodic introductory seminars, and by means of informational materials, and their attention is drawn to the significance of risk management.

Potential risks are continually identified and analyzed. Identified risks are then systematically evaluated as to their probability of occurrence, and the expected potential damage. Risk officers and division heads are regularly asked about the status of existing risks and the identification of new risks.

Since publishing the 2009 Annual Report and the detailed listing of risk factors contained therein, the Company has not documented any additional risks.

## Forecast and opportunity report

XING AG currently generates most of its revenues in Germany, and expects to benefit from the positive economic trend being experienced in all of its business divisions. In line with this, the Company's e-Recruiting division predicts that an increasing number of job ads will be placed and there will be further sales of Recruiter memberships due to companies in Germany hiring more staff again. XING's Corporate Solutions (Company Profiles, Enterprise Groups) and Advertising divisions expect to see a rise in revenues as a result of increasing and shifting advertising budgets to the online sector, with a particular focus on social networks. As an online social network for professional business contacts, XING offers a highly attractive target group similar to that of the Financial Times Deutschland, Handelsblatt etc., with the advantage of having a greater range, as confirmed by the Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V. (IVW - German Information Association for the Establishment of the Distribution of Advertising Media) and the Arbeitsgemeinschaft Online Forschung (AGOF - Working Group for Online Media Research). The "Subscriptions" division, a core part of XING's business, stands to gain from positive economic activity as the Company actively supports businesses in creating new contacts and managing them.

### Expected sector development

The development of the Internet in the course of the next few years is already foreseeable, and will be characterized by three major trends:

1. The mobile Web will become a trend in the course of the next few years. The market research company Gartner is expecting that, in three year's time, the number of people accessing the Internet with mobile phones and other mobile devices will exceed the number of persons accessing the Internet with normal computers. This development is being driven by the latest generation of mobile devices.
2. The urge towards concentration will also increasingly result in the arrival of further key providers in the Internet which has so far been largely open. There are already signs of this development in the fields of books (Amazon) and music (Apple iTunes).
3. The rise of social networks will continue to make progress, because with every new member, they become more attractive for people who are not already members of the social networks.

XING AG is in a good position to meet these developments. By focusing on "business networking", it provides central access to those business communities in Europe which are the most active in the opinion of management, and it has thus become an essential tool for professionals in all situations. In the search for new customers, suppliers, a suitable new job or answers to professional questions, XING is thus generating an attractive profile which will continue to drive the company's growth in future.

### Opportunities report

In the reporting period, XING AG implemented new functionalities on the platform [www.xing.com](http://www.xing.com) on the one hand and also continued to enhance the newly launched business models on the other. For instance, in the fourth quarter of last year, the company established new services in the field of job marketing, and is thus also able to position itself as a fully fledged and relevant recruiting platform for online job advertising; it is also able to address new target groups and boost revenues and earnings growth in this field by way of a corresponding monetarization strategy. In addition, for specialist personnel managers or decision-makers, the company has also activated a "recruiter membership" which is customized to meet the needs of this target group, and introduced a further source of revenues with the company profiles which were also established in the fourth quarter of 2009. With the innovations and improvements detailed above, the company has a good chance of boosting its growth in the three revenue-generating areas of "Subscriptions", "e-Recruiting" and "Advertising" in the course of the next few years. The fact that XING AG has thus advanced into segments which it had previously not developed and because it is now competing with established players particularly in the field of "e-Recruiting" means that a precise prediction cannot be made at present. However, the benefits of a social network in conjunction with a job portal constitute a clear competitive advantage which can have a positive impact on the future development of revenues and results.

### Expected results of operations

XING AG is operating in a very fast-moving and innovative industry. During the past two years, the company has implemented numerous enhancements to its business models, and has thus also broken into new markets. These for instance include the market of online job exchanges, which XING has been operating as a fully-fledged provider since the fourth quarter of 2009. This is the reason why the company expects an improved result in 2010 and 2011, with growth in sales outstripping growth in costs. In its "Subscriptions" segment, the company expects to generate further growth in revenues in the course of the next few years as a result of the continuing process of converting basic members into premium members. With increasing penetration of the market for business professionals, the relative growth of paying members will slow down in the long-term. The company considers that it has established a good position in this respect in order to maintain Group-wide revenue growth particularly with increasing market penetration in the "e-Recruiting" segment. The company expects that "e-Recruiting" will be one of the most rapidly expanding segments in the course of the next few years, whereby the development in this respect will depend much more on current financial and economic conditions; it is not possible at this point to make a reliable prediction of the development in future revenues and results. "Advertising" is also dependent on the economic conditions. In this segment, in addition to traditional advertising revenues, the company also expects to boost its revenues in the course of the next few years by way of implementing new products such as the "Company Profiles" and thus make a higher contribution to the development of results at XING AG. Internal plans and objectives of the company envisage for 2010 and 2011 a significant increase in turnover and EBITDA (excluding non-recurring expenses) on Group level. Examples of special factors to be adjusted are restructuring costs, results of disposals, impairment costs, other non-operating expenses as well as other non-operating income. The special factors are positive or negative effects which occur only once or only rarely and which, in their nature and extent, are unusual and of major significance and thus distort the result from operations.

### Expected financial and liquidity situation

Notwithstanding the effects of the financial crisis and the resultant more difficult conditions, the financing and liquidity of the Group are again based on a sound footing in 2010 and 2011. The company will continue to further expand its employee base in the course of the next few years, and will recruit approximately 40 new employees in the financial year 2010. There are plans for recruiting further employees in the financial year 2011 depending on the development of the market potential. In addition, XING AG will in future continuously invest in improving the platform in order to further increase the attractiveness and relevance for its members. In line with existing planning, these investments will be financed out of the company's own resources. For 2010 and 2011, annual operating investments are expected to run into single digit millions.

Hamburg, August 11, 2010

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period from January 1 to June 30, 2010

## Consolidated income statement

for the period from January 1 to June 30, 2010

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009	04/01/2010 - 06/30/2010	04/01/2009 - 06/30/2009
Service revenues	25,265	21,064	12,948	10,690
Other operating income	594	479	313	99
<b>Total income</b>	<b>25,859</b>	<b>21,543</b>	<b>13,261</b>	<b>10,789</b>
Cost of materials	0	(20)	0	(17)
Personnel expenses	(9,690)	(7,065)	(4,946)	(3,764)
Marketing expenses	(3,115)	(2,137)	(1,487)	(1,351)
Other operating expenses	(6,010)	(6,426)	(3,086)	(3,163)
<b>EBITDA</b>	<b>7,044</b>	<b>5,895</b>	<b>3,742</b>	<b>2,494</b>
Depreciation	(2,442)	(2,725)	(1,208)	(1,630)
<b>EBIT</b>	<b>4,602</b>	<b>3,170</b>	<b>2,534</b>	<b>864</b>
Interest income	39	242	19	21
Interest expenses	0	(38)	0	(8)
<b>EBT</b>	<b>4,641</b>	<b>3,374</b>	<b>2,553</b>	<b>877</b>
Taxes on income	(2,038)	(1,198)	(1,207)	(387)
<b>Total result for the period</b>	<b>2,603</b>	<b>2,176</b>	<b>1,346</b>	<b>490</b>
Earnings per share (undiluted) in €	0.50	0.42	0.26	0.09
Earnings per share (diluted) in €	0.50	0.42	0.26	0.09

## Statement of income and accumulated earnings

for the period from January 1 to June 30, 2010

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009	04/01/2010 - 06/30/2010	04/01/2009 - 06/30/2009
Total result	2,603	2,176	1,346	490
Currency translation adjustment	17	(62)	10	10
Other result	17	(62)	10	10
<b>Total result for the period</b>	<b>2,620</b>	<b>2,114</b>	<b>1,356</b>	<b>500</b>

## Consolidated balance sheet

as of June 30, 2010

Assets in € thousand	06/30/2010	12/31/2009
<b>Non-current assets</b>		
Intangible assets		
Purchased software	2,872	2,952
Self-developed software	6,925	6,354
Goodwill	13,440	13,440
Other intangible assets	3,978	4,592
Property, plant and equipment		
IT hardware and other business equipment	2,473	2,317
Financial assets		
Equity participations	50	50
Other financial assets	24	24
Deferred tax assets	371	346
	<b>30,133</b>	<b>30,075</b>
<b>Current assets</b>		
Receivables and other assets		
Receivables attributable to services	3,471	6,478
Tax refund assets	89	92
Other assets	991	1,241
Cash and cash equivalents and other current deposits	53,931	42,862
	<b>58,482</b>	<b>50,673</b>
	<b>88,615</b>	<b>80,748</b>



Liabilities in € thousand	06/30/2010	12/31/2009
<b>Shareholders' equity</b>		
Subscribed capital	5,272	5,272
Treasury stock	(3,041)	(3,041)
Capital reserves	40,586	40,586
Other reserves	3,263	2,607
Cumulative profit	9,867	7,264
	<b>55,947</b>	<b>52,688</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,821	2,646
Deferred income	1,451	1,275
	<b>4,272</b>	<b>3,921</b>
<b>Current liabilities</b>		
Trade accounts payable	657	802
Deferred income	18,123	14,958
Tax provisions	4,199	2,750
Other liabilities	5,417	5,629
	<b>28,396</b>	<b>24,139</b>
	<b>88,615</b>	<b>80,748</b>

## Consolidated cash flow statement

for the period from January 1 to June 30, 2010

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009
Earnings before taxes	4,641	3,374
Depreciation on capitalized development costs	822	840
Depreciation	1,620	1,885
Personnel expenses stock option program	639	503
Interest income	(39)	(243)
Interest received	39	243
Interest expenses	0	39
Interest paid	0	(35)
Taxes paid/received	(383)	(1,666)
Change in receivables and other assets	3,232	(2,910)
Change in liabilities and other liabilities	314	729
Change in deferred income	3,341	3,586
<b>Cash flow from operating activities</b>	<b>14,226</b>	<b>6,345</b>
Capitalization of self-developed software	(1,393)	(1,739)
Purchase of other software	(464)	(1,684)
Purchase of other intangible assets	(700)	(3,396)
Purchase of property, plant and equipment	(617)	(877)
Purchase of consolidation companies (less cash acquired)	0	(4,619)
Investment in other financial assets	0	(30)
<b>Cash flow from investing activities</b>	<b>(3,174)</b>	<b>(12,345)</b>

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009
Transaction cost for issuance of shares	0	(36)
Share buyback	0	(949)
Repayment of liabilities from finance leases	0	(89)
Interest paid	0	(3)
<b>Cash flow from financing activities</b>	<b>0</b>	<b>(1,077)</b>
Differences due to currency translation	17	0
<b>Change in cash and cash equivalents</b>	<b>11,069</b>	<b>(7,077)</b>
Cash and cash equivalents at the beginning of the period	42,862	42,922
<b>Cash and cash equivalents at the end of the period</b>	<b>53,931</b>	<b>35,845</b>

## Consolidated statement of movements in shareholder equity

for the period from January 1 to June 30, 2010

in € thousand	Subscribed capital	Capital reserved	Treasury stock
<b>Balance 01/01/2009</b>	<b>5,202</b>	<b>38,517</b>	<b>(2,092)</b>
Currency translation	0	0	0
Total income and expense for the period recognized directly in the equity	0	0	0
Net result	0	0	0
<b>Total result for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Share buyback	0	0	(949)
Acquisition of minorities			
Capital increase to acquire parts of the company	70	1,023	0
Ancillary costs capital increase	0	0	0
Capital increase from share-based payment	[0,7]	19	0
Addition from stock options program	0	0	0
<b>As of 06/30/2009</b>	<b>5,272</b>	<b>39,559</b>	<b>(3,041)</b>
<b>Balance 01/01/2010</b>	<b>5,272</b>	<b>40,586</b>	<b>(3,041)</b>
Currency translation	0	0	0
Total income and expense for the period recognised directly in the equity	0	0	0
Net result	0	0	0
<b>Total result for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Addition from stock options program	0	0	0
<b>As of 06/30/2010</b>	<b>5,272</b>	<b>40,586</b>	<b>(3,041)</b>

Other reserves	Cumulative profit	Total	Minorities	Shareholders' equity, total
<b>1,756</b>	<b>9,068</b>	<b>52,451</b>	<b>(123)</b>	<b>52,328</b>
(62)	0	(62)	0	(62)
(62)	0	(62)	0	(62)
0	2,176	2,176	0	2,176
<b>(62)</b>	<b>2,176</b>	<b>2,114</b>	<b>0</b>	<b>2,114</b>
0	0	(949)	0	(949)
	(123)	(123)	123	0
0	0	1,093	0	1,093
(36)	0	(36)	0	(36)
0	0	19	0	19
503	0	503	0	503
<b>2,161</b>	<b>11,121</b>	<b>55,072</b>	<b>0</b>	<b>55,072</b>
<b>2,607</b>	<b>7,264</b>	<b>52,688</b>	<b>0</b>	<b>52,688</b>
17	0	17	0	17
17	0	17	0	17
0	2,603	2,603	0	2,603
<b>17</b>	<b>2,603</b>	<b>2,620</b>	<b>0</b>	<b>2,620</b>
639	0	639	0	639
<b>3,263</b>	<b>9,867</b>	<b>55,947</b>	<b>0</b>	<b>55,947</b>

## Notes to the consolidated financial statements

for the period from January 1 to June 30, 2010

### Basis for preparing the financial statements and accounting methods

The consolidated interim financial statements for the first half year ending on June 30, 2010 have been prepared in accordance with the International Financial Reporting Standard for Interim Statements (IAS 34) as applicable in the EU.

The reporting period extends from January 1, 2010, to June 30, 2010. The comparative period presented began on January 1, 2009 and ended on June 30, 2009.

The accounting and financial reporting methods used for these consolidated interim financial statements are in accordance with the methods applied to the Group annual financial statements ending December 31, 2009.

### Group of consolidated companies

The group of consolidated companies in these consolidated interim financial statements included:

	Equity holding 06/30/2010 in %	Equity holding 12/31/2009 in %	Initial consoli- dation	Share- holders' equity balance 06/30/2010 in € thousand	Result H1/2010 in € thousand
XING Hong Kong Ltd., Hong Kong, China	100	100	2006	(168)	(3)
openBC Network Technology (Beijing) Co. Ltd., Beijing, China	100	100	2006	(53)	(57)
Grupo Galenicom Tecnologías de la Información (eConozco), S.L., Barcelona, Spain	100	100	2007	0	(3)
XING International Holding GmbH, Hamburg, Germany	100	100	2007	9.328	(1)
XING Networking, S.L., Barcelona, Spain <sup>1)</sup>	100	100	2007	(139)	(161)
EUDA Uluslararası Danışmanlık ve Bilisim Hizmetleri Limited Sirketi (XING Turkey), Istanbul, Turkey <sup>2)</sup>	100	100	2008	117	18
XING Switzerland GmbH, Sarnen, Switzerland <sup>1)</sup>	100	100	2008	27	1
XING Italy S.R.L., Milan, Italy <sup>1)</sup>	100	100	2009	39	9
XING İnsan Kaynakları Uluslararası Danışmanlık Hizmetleri Ltd. Sti., Istanbul, Turkey <sup>2)</sup>	100	0	2010	3	0
Socialmedian Inc., Wilmington, Delaware, USA	100	100	2009	320	0

<sup>1)</sup> 100 percent is held indirectly via shares of 100 percent in XING International Holding GmbH, Hamburg, Germany.

<sup>2)</sup> 99.5 percent of shares are held indirectly via XING International Holding GmbH, Hamburg, Germany, and 0.5 percent are held directly by XING AG.

### Stock option plan

In the first half of 2010, total expenses recognized for the existing stock option programs and several single commitments amounted to €639 thousand.

A total of 50,000 and 6,800 stock options from the 2009 stock option program were issued to selected employees and Executive Board members respectively on April 28 and April 30, 2010.

The stock option plans were evaluated by Mercer Deutschland GmbH. The expenses for all programs were calculated by means of the same evaluation method.

### Company acquisitions

In the first half of 2010, the Group did not acquire any companies.

In June 2010, XING İnsan Kaynakları Uluslararası Danışmanlık Hizmetleri Ltd. Sti. was founded with equity of TL 5,000. The equity has not yet been paid up.

In January 2009, XING AG purchased New York-based Socialmedian Inc., a leading online news network. The purchase price was made up of cash and shares, and amounted to €2.9 million plus a profit-linked earn-out of up to €2.5 million, payable within the next three years.

On January 13, 2009, XING Italy Srl. was founded in Milan with equity of €25 thousand.

On February 5, 2009, the Group purchased an additional 20 percent of voting rights of EUDA Uluslararası Danışmanlık ve Bilisim Hizmetleri Limited Şirketi (cember.net), in accordance with the purchase contract, for a payment of €2,180 thousand. This purchase had no effect on the consolidation, as cember.net was already fully consolidated.

In January 2009, the Group increased its shares in XING Hong Kong Ltd. from 85 percent to 100 percent, for a payment of €80 thousand. This purchase had no effect on the consolidation, as XING Hong Kong Ltd. was already fully consolidated.

In March 2009, XING AG acquired from epublica the know-how and the assets necessary for the further development of the XING platform for a purchase price of €3.2 million. In this connection, 18 employees of epublica changed to XING AG.

### Additions to and disposals of assets

Investments of the Group in self-developed software amounted to €1,393 thousand (comparative period: €1,739 thousand) in the six-month period from January 1, 2010, to June 30, 2010. The item for capitalized self-developed software includes expenses for improvements and developments as well as additional functions and features of the XING website.

In the first half year of 2010, the Group invested €1,081 thousand (comparative period: €2,561 thousand) for the purchase of IT software and hardware as well as other office equipment.

### Breakdown of other operating expenses

The following table lists the major items contained within the other operating expenses:

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009
IT services, management services and services for new markets	1,896	2,384
Legal advice, audit and accounting fees	808	1,241
Office costs	660	432
Payment costs	675	800
Rental/leasing	435	184
Server hosting, management and traffic	345	395
Travel, entertainment and other business expenses	352	354
Other personnel expenses	197	205
Other	643	431
<b>Total</b>	<b>6,010</b>	<b>6,426</b>

In contrast to last year, rental/leasing expenses and costs for server hosting, administration, and traffic are listed separately. The figures for last year have been adjusted accordingly. The category "Other" mainly includes payments for office supplies and communications costs as well as the compulsory charge for not employing disabled people (Schwerbehindertenabgabe) and other duties.

### Segment information

XING AG has one reportable segment with the divisions Subscriptions (including revenues from memberships and Enterprise Groups), e-Recruiting, Advertising, and Miscellaneous.

The breakdown of revenues for the reporting period is presented in the following tables:

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009
Subscriptions	20,589	17,380
e-Recruiting	2,990	2,229
Advertising	1,651	1,099
Other	35	42
<b>Total</b>	<b>25,265</b>	<b>20,750</b>



The business unit "Jobs" was renamed "e-Recruiting". Earnings from returned bank transfers amounting to €153 thousand (comparative period: €314 thousand) were not included under revenues in contrast to the previous year, but rather reported under other operating income. The previous year's figures were adjusted accordingly. Furthermore, revenues from "Groups" amounting to €287 thousand (comparative period: €164 thousand) were reclassified from the Subscription division to Advertising, and revenues from "Best Offers" amounting to €249 thousand (comparative period: €202 thousand) were also reclassified to "Advertising".

in € thousand	01/01/2010 - 06/30/2010	01/01/2009 - 06/30/2009
DACH	24,390	19,742
International	875	1.008
<b>Total</b>	<b>25,265</b>	<b>20,750</b>

As there are no considerable changes to long-term assets, these are not listed in the table.

### Contingent liabilities

The Group recognized leasing payments of €435 thousand (comparative period: €184 thousand) in the income statement.

In the reporting period, there were no obligations under finance leases. In the comparative period of the previous year, payments attributable to finance leases amounted to €33 thousand within one year and €0 thousand after one year.

### Related parties

In the first half year of 2010, payments of €80 thousand (comparative period: €213 thousand) were made to epublica GmbH, Hamburg.

Furthermore, payments amounting to €90 thousand were made to DLD Media GmbH, which is owned by the Burda Group, Munich

### Major events after the interim reporting period

No significant events have occurred since the end of the first of half year of 2010.

Hamburg, August 11, 2010

Dr. Stefan Gross-Selbeck  
CEO  
XING AG

Ingo Chu  
CFO  
XING AG

Dr. Helmut Becker  
COO  
XING AG

Michael Otto  
CTO  
XING AG

## Declaration of the legal representatives

We declare that, to the best of our knowledge, the consolidated financial statements offer a true and fair view of the net assets, financial position and results of operations of the Group in accordance with applicable accounting principles, and that the Group management report presents the development of business including the business result and the provision of the Group in such a manner that a picture corresponding to the actual circumstances is provided, and that the major opportunities and risks of the probable development of the Group are described.

Hamburg, August 2010

The Executive Board

## Review Report

To Xing AG, Hamburg

We have reviewed the interim condensed consolidated financial statements, comprising the condensed statement of financial position, the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity and selected explanatory notes, and the interim group management report of XING AG, Hamburg, for the period from 1 January 2010 to 30 June 2010, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue an attestation on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review 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 review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Hamburg, August 11, 2010

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Klimmer  
Wirtschaftsprüfer  
(German Public Auditor)

Borcherding  
Wirtschaftsprüfer  
(German Public Auditor)

## FINANCIAL CALENDAR 2010

Date	Disposition
August 11, 2010	2010 Half-year Report
November 9, 2010	Interim Report for Q3/2010

## MASTHEAD AND CONTACT

This interim financial report is available in German and English.  
 You can find both versions and additional press information on the Internet at:  
<http://corporate.xing.com>

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