

# XING

HALF YEAR REPORT 2009



January 1 to June 30  
**HY/2009**

## KEY FIGURES

		HY 2009	HY 2008	Q2/2009	Q2/2008	Q1/2009
Recognized revenues <sup>1)</sup>	in € million	21.54	15.91	10.79	8.41	10.76
EBITDA	in € million	5.90	5.76 <sup>2)</sup>	2.49	3.13 <sup>2)</sup>	3.40
EBITDA margin	in %	27	36 <sup>2)</sup>	23	37 <sup>2)</sup>	32
Net income for the period	in € million	2.18	2.95	0.49	1.33	1.68
Operating cash flow	in € million	6.35	7.83	0.93	4.34	5.41
Operating cash flow per share	in €	1.23	1.51	0.18	0.83	1.06
Earnings per share (undiluted)	in €	0.42	0.57	0.09	0.26	0.33
Equity	in € million	55.07	49.42	55.07	49.42	54.31
Liquid assets	in € million	35.85	40.95	35.85	40.95	37.23
Members	in millions	7.91	6.14	7.91	6.14	7.48
Thereof Premium Members	in thousands	635	470	635	470	606
Peer-to-peer connections	in € million	150	100	150	100	136
Employees		246	142	246	142	239

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

<sup>2)</sup> Adjusted for discontinued M & A activities (€768 thousand)

# MISSION STATEMENT

XING AG provides an Internet platform specially tailored to meet the needs of professionals, in line with its motto “Discover and Utilize Your Relationships”. Professionals of every stripe, from IT experts to communications gurus to bankers, require tools for managing their professional contacts and creating true and lasting value from their network. Business networking has long since been recognized as an effective component in professional success. The largest and leading European online business network with over eight million members as of August 2009, XING has both driven this trend and responded to new developments.

The positive development in operational revenues is matched by the progress of the XING AG share on the Frankfurt Stock Exchange’s Prime Standard segment. Since the 2006 IPO, the XING AG share has established a solid position for itself on the stock market, the first and to date only Web 2.0 company to do so. XING AG is headquartered in Hamburg, Germany, with offices in Barcelona, Istanbul, and Milan. From its inception, the platform in its entirety has been available in 16 languages, the first business networking website with such an international reach.

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# LETTER OF THE EXECUTIVE BOARD

Ladies and gentlemen,  
Dear shareholders, colleagues and XING members,

The last six months have been exciting, a time in which XING AG made great competitive strides in the midst of a global recession. Our six-month revenues have increased revenues by 35 percent to €21.5 million, and we have gained over 900 thousand new members in the first six months of this financial year, an increase of 29 percent over last year. We're particularly pleased with developments in our core business segment Premium Memberships. In the first half year of 2009, we've gained over 80 thousand new paying Premium Members. This is a clear sign for us that even in economically difficult times, setting up and maintaining a business contact network using XING is a crucial component in the professional and personal development of our members.

We have continued to expand our market position especially in our home markets, gaining 500 thousand new members in the past six months from German-speaking countries. Over 80 thousand of these are paying members. Member activity, which is very important to us, remains unabated at a very high level. XING has become even more securely anchored in the German-language business community, and acquired additional market share. A decisive factor in boosting activity in recent months has been the innovative offensive launched in Q1, with new features and functions such as Company Pages, OpenSocial, and the new header redesign. Further proof of the market presence of the XING community can be found in offline events, which are largely organized by members for members. The number of events organized in the past six months increased to 70 thousand, nearly double that of the first half of 2008. The major operational advances of the first two quarters form a solid basis for the further expansion of our existing business models and the accelerated development of new sources of revenues.

In addition, XING is gradually establishing itself as an important addition to standard Internet job portals. More and more well-known companies use our Jobs section to selectively contact candidates and present themselves as an appealing place to work. We've set the stage for a significant improvement and expansion of the existing product. We see great potential here, particularly XING Jobs and recruiting, and will continue to invest in this area in the future. In H1/2009, this area generated approximately €2.23 million, a boost of 21 percent over H1/2008 despite the difficult macroeconomic climate. Revenues for the "Subscriptions" business segment increased even more dramatically. We're happy to report that H1/2009 revenues increased by 41 percent over the previous year's first half year figures. The third revenue source "Advertising" faced negative revenue development, the result of specific industry difficulties. Revenues decreased from €1.13 million in H1/2008 to €0.73 million in H1/2009, mainly as a result of the lower specified performance of the online advertising distributor.

In the second half 2009, we'll launch new business models to further accelerate revenue growth in 2010. In preparation for this growth, we chose to make key investments in the first six months of the year which will allow us to accelerate our product development cycle and our business models and features, to boost our strength of innovation, and add additional growth areas for coming years. The initial signs of success have already become visible. In the first half of 2009, we've greatly focused our development resources, and by the end of Q1 were able to deliver the first new features and functions for boosting activity and interaction on the XING platform. We developed a new user-friendly header, released the first version of Company Profiles, launched new features such as "Members you may know" and the first OpenSocial apps.

In order to develop these new functionalities and services in such a short timeframe, it was necessary to make changes to the organizational structure. As a result of these changes, we achieved an EBITDA of €5.90 million in H1/2009, representing a slight increase of 2 percent over H1/2008. In particular, this development reflects the investments we've made in our new offices. Our particular focus has been on strengthening our programming resources, which will be crucial in coming months as we develop new products and business models which we intend to convert in H2 to new sources of revenues.

We see it as our duty as the Executive Board of XING to make the most of the potential of XING, and pursue our strategy of sustainable growth fully. For this reason, we consciously decided to make key future-oriented investments in 2009. The quicker the planned additional revenue sources are introduced in the second half of the year, the sooner we can increase the user value of our platform for our members, which in turn will accelerate the organic growth.

With your support and your trust, you've shown us that we're on the right path.

For this, we give you our thanks.

Hamburg, August 2009



Dr. Stefan Gross-Selbeck  
CEO



Ingo Chu  
CFO



Burkhard Blum  
COO



Michael Otto  
CTO



# XING share

## Key data on the XING share

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Number of shares	5,271,773
Type of share	Registered shares
IPO	December 7, 2006
Trading symbol	01BC
German securities identification number (WKN)	XNG888
ISIN	DE000XNG8888
Bloomberg	01BC
Reuters	OBCGn.DE
Market segment	Prime Standard
Stock exchange	Berlin, Bremen, Dusseldorf, Frankfurt, Munich, Stuttgart

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Key parameters of XING shares	H1/2009	H1/2008
XETRA closing price	€29.72	€33.95
High	€33.87	€45.55
Low	€29.64	€33.00
Market capitalization	€156.7 million	€176.6 million
Average trading volume per trading day	6,158	5,011
Ranking in TecDAX		
Based on order book turnover	41	43
Based on market capitalization	30	43
Earnings per share (undiluted)	€0.42	€0.57
Operating cash flow per share	€1.23	€1.51
Shareholders' equity per share	€10.69	€9.50

Share performance compared to the indices	H1/2009
XING	10%
TecDAX	23%
DAX	0%
SDAX	4%



# Interim Report

for the six-month period  
from January 1 to June 30, 2009

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## Business and industry development

### Industry and business development

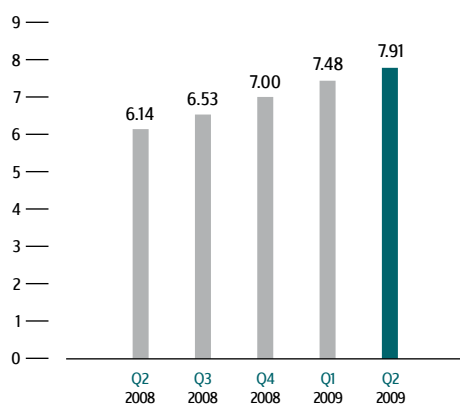
Nearly one quarter of the world population is online today. More and more people are using the Internet to connect to each other and share information with each other. Social networks have now overtaken email as the largest single online activity in the world. According to calculations by the American market research company Comscore, 743 million people around the world use one or more social networks. Using these figures, over half of all Internet users are members of one or more social networks such as XING.

By focusing on business professionals, XING AG numbers eight million members (as of August 2009) around the world. Given over 2.8 million members in Germany alone, approximately five percent of all German Internet users are XING members. In the target group most relevant to the Company - business professionals - the brand penetration is higher, reaching 30 percent. The existing solid penetration of the German market is evidence that XING is already deeply anchored in the German business community, while still leaving major potential for growth. In terms of international reach, the XING platform has increased its member base considerably in recent months, boosting market penetration in foreign markets such as Spain, Turkey, and Italy.

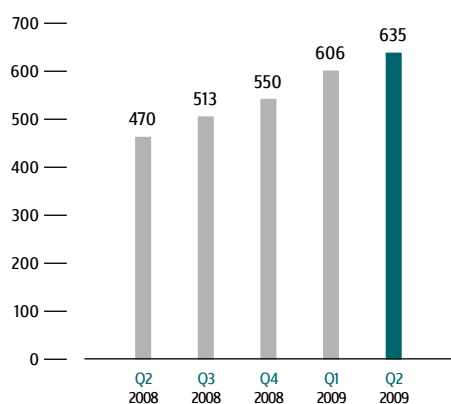
### Member growth

In the first six months of FY 2009, over 900 thousand new members signed up on XING. After growing by 480 thousand new members in the first quarter, the Company was able to gain 430 thousand new members around the world in the seasonally weak second quarter. This influx of profiles boosts the XING member base to 7.91 million as of the end of June. The Company is particularly pleased with the solid growth in key foreign markets such as Spain and Turkey. In Turkey, for example, the Company achieved its fastest rate of organic member growth to date.

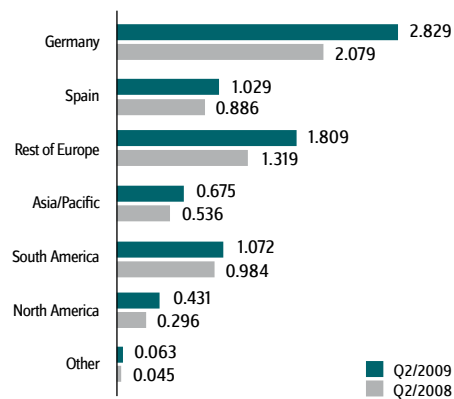
**Number of XING AG members**  
in millions



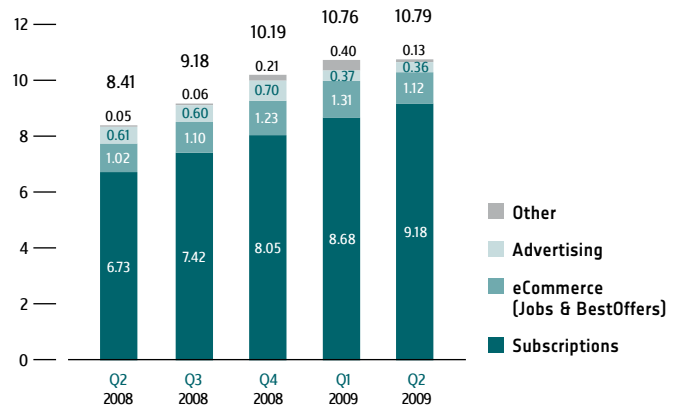
**Premium members**  
in thousands



## Member distribution in millions



## Revenues by segments in € million



The number of paying members also increased during the reporting period. With the transition to a new payment provider, completed in Q1, the Company can access a detailed analysis of Premium Memberships. In practical terms, this means that paying members who receive free Premium Months by inviting other people to join can be more accurately categorized. As a result, the number of paying members has been revised, retroactively as of March 31, 2009 to 606 thousand. By these new figures, the Company gained approximately 29 thousand new Premium Members in Q2, increasing the number of paying XING members to 635 thousand as of June 30.

### Revenue development

In the first year of FY 2009, XING AG generated total revenues including other operating income of €21.54 million, an increase of 35 percent over the first half of FY 2008. The largest revenue generator was the **Subscriptions** business segment, which accounted for €17.86 million (€12.64 million in H1/2008), an increase of 41 percent.

Additional revenue sources from the business areas "**eCommerce**" and "**Advertising**" have reflected the influence of the poor general macroeconomic climate so far this year. Sales of job postings on the XING platform generated €2.23 million in the first six months of the year, increasing revenues by 21 percent over H1/2008 figures. On a quarterly breakdown, revenues were higher for Q1/2009 at €1.20 million, then decreased by 14 percent in Q2 to €1.03. The general decrease in vacant positions in the market had a negative affect on revenue development in this segment. Due to its performance-based business model, XING AG has been less affected by this decline than online job portals that rely on standard pricing models.

In the **Advertising** business segment, XING AG H1/2009 revenues decreased by 35 percent from their H1/2008 level. As expected, the drop in revenues can be mainly traced back to the lower guarantee base of the payment of the ad network. On a quarterly breakdown, Q2/2009 revenues amounted to approximately €360 thousand, and comparable to those in Q1/2009.

### Earnings development

As part of the new strategic direction of the Company and the clear focus on increasing member activity and viral growth as well as deeper penetration of specialized target groups, XING AG invested heavily in development resources in H1/2009. The number of employees increased rapidly during these six months (from 174 on December 31, 2008 to 246 as of the period closing date), the result of a modified hiring policy and preferential recruiting of programmers to accelerate the speed of innovation. Personnel costs have increased correspondingly, from €4.2 million in H1/2008 to €7.1 million in H1/2009. The majority of hiring for FY 2009 has been completed, and employee growth will slow considerably in the second half of the year. In addition, the Company made expenditures in connection with changes to the Executive Board, which also had negative effects on earnings during the reporting period. Other operating expenses increased to €6.4 million during the reporting period from €4.7 million in H1/2008. Advertising costs increased slightly over the same period in the previous year, to €2.1 million in H1/2009. As the result of the new, medium-term growth and investment strategy, the Company's EBITDA increased slightly from that of the first half previous year, adjusted for one-time expenditures (€5.9 million in H1/2009 compared to €5.8 million in H1/2008). The EBITDA margin for H1/2009 was 27 percent, below that of H1/2008 (36 percent).

The scheduled goodwill amortizations increased considerably from €927 thousand in H1/2008 to €2.7 million in H1/2009. Besides developments, these increased amortizations were associated with the XING platform due to the acquisition of assets from epublica GmbH (amortization term 4 years), and the introduction of the new billing system (amortization period 5 years). In addition, the Company recorded one-off, non-recurring amortizations in June amounting to a total of €0.3 million, of which €0.17 million resulted from participation in Plazes AG, and €0.13 million from a redundant platform for a terminated cooperation agreement.

EBIT therefore amounts to €3.2 million in the first half year of 2009, compared to €4.1 million for the same period in the previous year. Taking into consideration the positive net interest income of €0.2 million (first half year of 2008: €0.7 million) and €1.2 million payable in income tax (first half year of 2008: €1.8 million), this results in consolidated earnings of €2.2 million over €3.0 million for the same period in the previous year.

### Net assets

On the closing date June 30, 2009, long-term net assets were valued at €35.7 million (December 31, 2008: €27.0 million). This increase of €8.7 million can essentially be attributed to an asset deal with epublica GmbH (+€3.2 million), purchase of Socialmedian Inc., (+€3.0 million), and the ongoing capitalization of development costs for the XING platform (+€0.9 million), as well as capitalization costs for the new billing system (+€0.7 million).

Group total assets amounted to €79.2 million on the closing date, slightly up (5.7 percent) from total assets on December 31, 2008 (€74.9 million). Liquid assets accounted for 45 percent of the total assets of the group (€35.8 million). On December 31, 2008, liquid assets amounted to 57 percent of total assets (€42.9 million). The proportional decline in liquid assets is largely attributable to the investments listed above, but also to an accounting-related increase in receivables from services (€6.2 million in comparison to €3.3 million on December 31, 2008).

### Financial position

In the first six months of 2009, XING AG generated cash flow from operating activities of €6.3 million. Tax payments are almost solely responsible for the €1.5 million decrease over the same period in the previous year (€7.8 million) which were due as a result of tax losses carried forward for several years.

In the first half of 2008, cash flow from investing activities amounted to €-12.3 million (previous year: €-4.6 million). This reflects above all the increased growth and investment efforts of XING AG. Compared to the same period in the previous year, significantly higher sums were invested in all aspects of the Company (e.g. software, know-how and acquisitions).

The negative cash flow from financing activities amounts to €-1.1 million (H1/2008: €-0.1 million), €-0.9 million of which results from the repurchase of Company-own shares that did not take place during the same period in the previous year.

At the end of the period, liquid assets of XING amounted to €35.8 million compared to €40.9 million at the end of first half-year of 2008. The cash flow statement clearly shows that the cash flow generated from ongoing operations and a part of the liquid assets still available from the IPO in 2006 have been invested specifically in growth.

The sustained growth in the Company's revenues in the first half year of 2009 confirms the expectations of XING that national and international, organic and external growth will prove successful. This strategy has therefore been followed on an even greater scale, even if this has meant that the investments of the first half year of 2009 have a negative impact on the sufficient liquidity available and the annual result.

With an equity ratio of 70 percent as of June 30, 2009 (70 percent as of December 31, 2008), XING is primarily financed by way of shareholders' equity. This constitutes a sound basis which provides the Company with a high degree of financial stability even in the event of possible negative developments.

The cash flow margin of 30 percent (cash flow from operating activities/service revenues) is running at a high level. This confirms the intrinsic value of the Company, and permits further investment in future growth.

### Growth through innovation

In the second quarter of FY 2009, the strategic direction XING AG began in March 2009 emphasizing growth through innovation, with a focus on recruiters and international expansion, was pursued as planned. The speed of innovation, which at the end of Q1 had already been accelerated considerably, led to the launch of numerous new features calculated to make XING even more valuable to its members, in the period from April to June.

With the introduction of [Company Profiles](#) in April, XING now not only includes individual profiles, but also profiles for companies, organizations, and professional associations. These profiles are generated automatically and free of charge, offering more visibility for companies, and improve contact opportunities for XING members. Members searching for contacts at one of nearly 100 thousand companies, organizations and associations can research these bodies more precisely and clearly than before, and get in touch at the click of a button. A new Company Profile is automatically created for every company or organization with at least four individual XING registered members. Company Profiles also contains employee statistics and additional information on the age structure, career level, or length of employment of XING members working there. The information contained within Company Profiles is based on data already entered into individual member profiles, meaning organizations, companies and associations do not have to expend their own resources to create a profile.

A second feature went live in May: the new feed "[Members you may know](#)". Located on the XING home page, this feature offers new contact suggestions to members, based on interests and other profile information. These may include former coworkers, alumni of the same university, and people connected to one's contacts. "Members you may know" aids XING members in becoming more connected, and makes it easier for them to get in touch with each other.

In line with the Company's "Anywhere XING" strategy, two new [widgets](#) were introduced in the second quarter. This allows XING to meet users where they are, rather than expecting them to come to XING. Using the XING Gadget for iGoogle, Internet users can monitor what happens in their XING network from their own personalized home page on Google. The gadget is equipped with a search functionality, currently available in five languages - German, English, Spanish, Turkish and Italian - allowing users to search directly for people or companies on XING, without having to log in to the platform. Since June, XING members who have email accounts with the German providers gmx.de and web.de can also access XING quicker than ever: Using the customizable toolbars at these portals, members can log in directly to XING using "Single Sign On" protocol.

In June, XING also extended its mobile networking offerings: In launching the new [XING iPhone app](#), the platform became even more user friendly on the go. XING launched the first version of its iPhone client at the end of 2008, providing essential XING functions to users on the go. Since that time, over 1,500 reviews in the Apple App Store attest to the importance of mobile networking for XING members. The new iPhone app was developed based on the feedback provided, and can now be downloaded free of charge at the App Store. Among the many improvements made to the new version, users can now search their contacts, and all applicable contact details are updated in real time, automatically. The log in and log out process has also been improved. Also, mobile visitors can view features such as "Visitors to my profile", the member search, and can add and confirm contacts. With these additions, the new iPhone app contains all basic XING networking functions, and makes them available on the go. Since the beginning of July, XING also has

a proprietary app for the BlackBerry smartphone, the first business network to do so. This app features a number of features for simplifying professional networking using a BlackBerry, making the mobile XING experience more comfortable.

With the launch of the **first OpenSocial applications** on XING in Q2, the Company reached a second milestone in its innovation offensive. XING is one of the original launch partners of the Google OpenSocial initiative, and supports the philosophy of a universal infrastructure for web applications. The open programming standard OpenSocial defines interfaces for social applications, thus allowing developers to program interoperable apps that work in various social networks. Besides XING, networks supporting OpenSocial include MySpace, Friendster, Orkut, Ning, and others. In May, XING released its first apps based on the OpenSocial infrastructure: "XING News" and "Ask XING". These apps, developed by the Company, give XING members two new sources of valuable information in the professional arena. In the first version of "XING News", members can use their network and the XING Community to filter the news, and can recommend articles for others to read. This represents the first step in the development of professional networks into disseminators of crucial information, fast and automatic, to those who want to know. "XING News" also supports commenting and rating functionalities, allowing members to add their opinion to the news. The second app, "Ask XING", allows members to post questions to the XING Community and receive responses.

From OpenSocial to business news, improved mobile support to a community knowledge base, the apps and features have one thing in common: they all make XING increasingly attractive and viable as one-stop platform for business networking in all its facets. A further example is the third OpenSocial app developed by XING: "Twitter Buzz", which allows professional networkers to stay abreast of Twitter news on a variety of topics. The new application enables nearly eight million XING members to create a saved keyword search on Twitter, and have the results posted automatically on their XING home page. This can be helpful for tracking public opinion about one's company, for example, or finding out what people are saying about an upcoming trade fair, or just for keeping up with the latest trends and opinions in a particular industry.

By launching OpenSocial, XING has set the technical groundwork for offering partner applications on the XING platform in Q3/2009. For the first time, XING is opening itself to external programmers, which allows the website to boost its functionality with a number of additional apps, increasing value to members without expending its own resources. At the end of July, XING launched 13 partner apps: Huddle.net, Doodle, Dopplr, Deutsche Welle, MindMeister, SlideShare, spread, travelload, Tungle.me, sueddeutsche.de, Wallstreet: Online, WELT ONLINE and ZCOPE . XING members can add any or all of these 13 apps, depending on their professional needs, free of charge from the Application Directory. The speed of innovation at XING is accelerating once again in Q3, and the results will be visible in the future. The app platform will be improved and expanded in coming months, in line with user feedback, and other partner apps will be added. The goal is to offer XING members even more selected business options than ever, making the platform more valuable to more members, and integrating XING into the daily business lives of millions.

### Focus on recruiters

In Q2/2009, XING actively pursued its second goal, an increased focus on recruiters. This preparation will bear fruit in Q3, when a number of small and large features will be launched making XING more intuitive and user friendly to job seekers, headhunters and HR representatives.

XING estimates that over 40 thousand recruiters use the website for their recruiting activities. To better assess the role of XING in this industry, the Company conducted a survey of approximately 2,600 German-speaking recruiters on the XING website in April. Approximately half of those polled indicated that they use XING up to three times a week for recruiting, and over a third used XING on a daily basis, making the platform one of the most frequented on the Internet, alongside traditional sites such as Monster, Jobpilot and StepStone. XING has an advantage over these sites in that candidates can be actively located and contacted directly using the broad range of communication and search tools on the platform. 39 percent of the recruiters polled reported having already contacted candidates in this manner. Recruiters can also use XING to do research on candidates, and use shared contacts as potential references.

It's not only large multinationals that are using online recruiting anymore: increasingly, small and medium sized companies are turning to job portals such as XING Jobs to find the right candidate. According to the survey, 61 percent of all HR representatives polled reported posting job ads on XING Jobs. The site allows employers and recruiters to find candidates quickly and efficiently, sending XING members job postings that match their skills, experience, or other profile data.

### International expansion

The growth of the XING member base, in Germany and abroad, remained a key focus area in Q2/2009. The Company is concentrating on boosting growth in continental Europe, in particular in countries where XING has a local office and team, namely Italy, Spain, and Turkey. In recent years, the XING community has undergone tremendous international growth: out of more than 7.9 million members worldwide, approximately 4.5 million are from outside German-speaking countries. Although networking has the same basic components around the world, there are regional differences, due to cultural and social variances from country to country. XING AG recognizes these differences and works hard to meet the local needs of each market by localizing the platform. The Country Managers and International Teams at XING AG determine regional strategies for supporting and boosting member growth and activity in individual countries. These strategies include local marketing campaigns, the linguistic and cultural localization of the platform, and localized definitions of Premium Membership and basic membership. Far-reaching, serious localization is a key step in XING AG's strategy of making the XING platform the most active business network in more and more regions in Europe.

### International marketing campaign for further growth

In Q2, the Company's international marketing campaigns took on a strong local character. In Spain, XING AG launched its first locally conceived and executed branding campaign in June, with the slogan, "XING: Mejores contactos, mas oportunidades", in line with the requirements of the Spanish market. Once the message was crafted, Internet banners were launched in El Mundo, El Pais, El Economista, 5 Dias, and Invertia, and print ads were ran in Expansión (which has an exclusive partnership agreement with XING Spain).

On the other end of the Mediterranean, XING Turkey produced a radio commercial for their home market, which then ran on the largest Turkish radio stations such as Power FM, Alem FM, and Metro FM. The commercial alerted the Turkish market to XING's local focus, relying on word of mouth and viral growth to boost the brand recognition in Turkey. Attesting to the creativity and ingenuity of the XING Turkey team is the highly successful networking game they developed, which in turn was utilized to break the ice at several XING events and at a number of trade fairs and conferences in Turkey, such as the "marketingist exhibition & Fair" 2009 and the EurasiaCom 2009 in Istanbul. The networking game gives trade fair visitors the chance to meet each other quickly, and to find opportunities for doing business together.

In German-speaking countries, the existing banner campaign focusing on jobs and career opportunity was maintained in the second quarter. This campaign uses attention-grabbing headlines referring to the economic crisis and the value of a XING network. Banners have been featured at websites such as Spiegel.de, Focus.de, FAZ.net, Wallstreet Media, NZZ.ch, Tagesanzeiger.ch, blick.ch, derStandard.at, and ORF.at. These online activities were supported by an ongoing search engine marketing campaign.

In June 2009 for the first time ever, XING AG launched banner ads directed specifically to recruiters, on websites dedicated to this target group.

Also in June, XING AG launched its own partner program, making its debut into affiliate marketing. Website operators in Germany, Austria and Switzerland, ranging from XING members with an individual blog to experienced affiliates, are able to support XING member growth by recommending XING to their visitors, and profit themselves from a success-based commission model. By adding a text ad, banner or flash movie to their website or blog, these affiliates can generate traffic and new users for the XING platform. Each new member generated in this way triggers a fixed compensation for the affiliate. XING chose to partner with TradeDoubler, the European market leader in performance marketing in launching its affiliate program. XING AG is also planning on launching the affiliate program in other countries, further powering member growth abroad.



## Research and product development

In Q2/2009, the longstanding agile management style found in the XING project teams was applied to the product development process. This process allows for more rapid and precise product implementation, and furthermore focuses on the relationship between technical innovations and market and customer needs. By releasing early and focusing on XING members, the Company intends to drive platform use by both existing and new members, who in turn will drive growth and revenues.

In the second quarter, product development focused on the following areas of activity:

- Releasing automatically generated Company Profiles, representing companies where XING members work
- Improving the navigational structure and header
- Developing, migrating, and ensuring the long-term operation of all monetary business processes including debit-side bookkeeping to arvato Services
- Launching the technical infrastructure OpenSocial with the following three functionalities in Q2
  - "XING News" - Find out which news your network is reading and rating
  - "Ask XING" - Use the collective knowledge base of the XING Community
  - "Twitter Buzz" - Keep up to speed with tweets on the topics you choose
- Other architecture and integration-related tasks working with partners in preparation for the OpenSocial Application Directory launch
- Programming of a new version of the XING iPhone application
- Introduction of features with high degree of value for home page users, which lead to increased activity and connections:
  - A "Getting started wizard" for new members
  - A new feed "Members you may know"
  - A new feed "Members you should meet" (in markets such as Spain)
- Cutting-edge work on site performance using JavaScript optimization, logging, and other technical improvements
- Developments towards expanding other profitable functions on the platform

XING has been coded in Perl technology since its inception, and is increasingly written in Ruby-on-Rails, an innovative web development framework. XING is one of the leading "Rails" employers in Germany, and gives back to the Rails community by sponsoring events and speaking at professional conferences. The Company has considerably expanded its development teams in Hamburg and Barcelona to meet increasing workloads now and in the future.

## 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 2008 Annual Report and the detailed listing of risk factors contained therein, the Company has not documented any additional risks. Furthermore, the dependency upon external service providers has been diminished since the acquisition of 19 employees of the programming team of the former main development partner for the XING platform, epublica GmbH.

## Forecast and opportunity report

In its new form, the Executive Board met at the beginning of the financial year to address the strategic direction of the Company in coming months. The Company pledged to concentrate its resources on three key focus areas. The first focus area is member activity, which the Company intends to further increase, and further penetration of the XING brand in the core markets. The Company sees sufficient market potential in Germany, Austria, and Switzerland to significant increase membership figures in these markets in coming years. Furthermore, XING AG is focusing on deeper brand penetration of specialized market segments, such as HR professionals and recruiters. The third area of focus is international expansion. The Company intends to focus on core markets, and to act in a more focused manner to expand growth and member activity.

In the business division focusing on online job listings and marketing, the future development is broadly dependent on macroeconomic conditions, and thus very hard to plan for. The market research company emarketer expects advertising expenditures to increase in 2010 by 13 percent for social networks, following their drop in 2009. According to a study by the online recruiting specialist Jobvite, social networks will become increasingly important for jobs and careers. In the future, 72 percent of recruiters will use social networks to find candidates, according to the study.

## Major events after the end of the reporting period

Since July 1, 2009, Ingo Chu is the new CFO of XING AG. He replaces Eoghan Jennings, who resigned his post on April 30, 2009.

Hamburg, August 10, 2009

Dr. Stefan Gross-Selbeck  
CEO  
XING AG

Ingo Chu  
CFO  
XING AG

Burkhard Blum  
COO  
XING AG

Michael Otto  
CTO  
XING AG



# Consolidated income statement

for the six-month period  
from January 1 to June 30, 2009

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for the first half year

## CONSOLIDATED INCOME STATEMENT

for the period from January 1 to June 30, 2009

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008	04/01/ – 06/30/2009	04/01/ – 06/30/2008
Revenues from services	21,064	15,779	10,690	8,366
Other operating income	479	134	99	42
<b>Total revenues</b>	<b>21,543</b>	<b>15,913</b>	<b>10,789</b>	<b>8,408</b>
Cost of materials	(20)	(26)	(17)	(18)
Personnel expenses	(7,065)	(4,202)	(3,764)	(1,952)
Marketing expenses	(2,137)	(1,969)	(1,351)	(1,305)
Other operating expenses	(6,426)	(4,721)	(3,163)	(2,774)
<b>EBITDA</b>	<b>5,895</b>	<b>4,995</b>	<b>2,494</b>	<b>2,359</b>
Depreciation	(2,725)	(927)	(1,630)	(539)
<b>EBIT</b>	<b>3,170</b>	<b>4,068</b>	<b>864</b>	<b>1,820</b>
Financial income	242	656	21	367
Financial expenses	(38)	(13)	(8)	(5)
<b>EBT</b>	<b>3,374</b>	<b>4,711</b>	<b>877</b>	<b>2,182</b>
Expenses attributable to taxes on income	(1,198)	(1,760)	(387)	(853)
<b>Total result for period</b>	<b>2,176</b>	<b>2,951</b>	<b>490</b>	<b>1,329</b>
Thereof:				
Shareholders of the parent company	2,176	2,981	490	1,350
Minorities	0	(30)	0	(21)
	2,176	2,951	490	1,329
Earnings per share (undiluted) in €	0.42	0.57	0.09	0.26
Earnings per share (diluted) in €	0.42	0.56	0.09	0.25

# CONSOLIDATED BALANCE SHEET

as of June 30, 2009

ASSETS in € thousand	06/30/2009	12/31/2008
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Other intangible assets	8,670	2,338
Purchased software	4,821	3,821
Self-developed software	5,594	4,696
Goodwill	13,903	13,823
<b>Property, plant and equipment</b>		
IT hardware and other business equipment	2,340	1,897
<b>Financial assets</b>		
Equity participations	24	24
Other financial assets	50	20
Deferred tax assets	346	346
	<b>35,748</b>	<b>26,965</b>
<b>Current assets</b>		
<b>Inventories</b>		
Products	21	38
<b>Receivables and other assets</b>		
Receivables attributable to services	6,179	3,345
Tax refund assets	42	166
Other assets	1,371	1,281
Cash and cash equivalents and other current deposits	35,845	42,922
Assets available for sale	29	200
	<b>43,487</b>	<b>47,952</b>
	<b>79,235</b>	<b>74,917</b>

<b>LIABILITIES</b> in € thousand	06/30/2009	12/31/2008
<b>Shareholders' equity</b>		
Subscribed capital	5,272	5,202
Treasury stock	(3,041)	(2,092)
Capital reserves	39,559	38,517
Other reserves	2,161	1,756
Cumulative profit	11,121	9,068
<b>Equity attributable to equity holders of the XING AG</b>	<b>55,072</b>	<b>52,451</b>
Minorities	0	(123)
	55,072	52,328
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,492	2,157
Deferred income	858	581
	3,350	2,738
<b>Current liabilities</b>		
Liabilities from finance leases	33	122
Trade accounts payable	989	1,393
Deferred income	13,034	9,725
Tax provisions	1,655	2,395
Other liabilities	5,102	6,216
	20,813	19,851
	79,235	74,917

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from January 1 to June 30, 2009

in € thousand	Subscribed capital	Capital reserved	Treasury stock
Balance 01/01/2008	5,202	38,517	0
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
Total result for period	0	0	0
Personnel expenses, stock option program	0	0	0
As of 06/30/2008	5,202	38,517	0
Balance 01/01/2009	5,202	38,517	(2,092)
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
Total result for period	0	0	0
Share buyback	0	0	(949)
Purchase of minorities	0	0	0
Planned issuance of equity instruments for acquisition	70	1,023	0
Incidental cost for capital increases	0	0	0
Capital increase from share-based payment	0.7	19	0
Personnel expenses, stock option program	0	0	0
As of 06/30/2009	5,272	39,559	(3,041)



Other reserves	Cumulative profit	Total	Minorities	Shareholders' equity, total
636	1,744	46,099	(117)	45,982
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
636	1,744	46,099	(117)	45,982
1,756	9,068	52,451	(123)	52,328
(62)	0	(62)	0	(62)
(62)	0	(62)	0	(62)
0	2,176	2,176	0	2,176
(62)	2,176	2,114	0	2,114
0	0	(949)	0	(949)
0	(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
2,161	11,121	55,072	0	55,072

# CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to June 30, 2009

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008
Earnings before taxes	3,374	4,711
Depreciation on capitalized development costs	840	354
Depreciation	1,885	573
Personnel expenses, stock option program	503	502
Interest income	(243)	(656)
Interest received	243	656
Interest expenses	39	13
Interest paid	(35)	(2)
Profit and loss account from fixed asset	0	(2)
Taxes paid	(1,666)	0
Change in receivables and other assets	(2,910)	(3,069)
Change in liabilities and other liabilities	729	2,578
Change in other assets and liabilities with regard to acquisition of consolidated companies	0	38
Change in deferred income	3,586	2,129
Cash flow from operating activities	6,345	7,825

Capitalization of self-developed software	(1,739)	(946)
Purchase of other software	(1,684)	(25)
Purchase of other intangible assets	(3,396)	(615)
Result from the disposal of fixed assets	0	3
Purchase of property, plant and equipment	(877)	(595)
Purchase of consolidation companies (less cash acquired)	(4,619)	(2,574)
Investment in other financial assets	(30)	120
<b>Cash flow from investing activities</b>	<b>(12,345)</b>	<b>(4,632)</b>
Transaction costs from the issue of capital	(36)	
Share buyback	(949)	0
Repayment of liabilities from finance leases	(89)	(81)
Interest paid	(3)	(11)
<b>Cash flow from financing activities</b>	<b>(1,077)</b>	<b>(92)</b>
<b>Change in cash and cash equivalents</b>	<b>(7,077)</b>	<b>3,101</b>
Cash and cash equivalents at the beginning of the period	42,922	37,844
<b>Cash and cash equivalents at the end of the period<sup>1)</sup></b>	<b>35,845</b>	<b>40,945</b>

<sup>1)</sup> Cash and cash equivalents are liquid assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR

as of June 30, 2009

## Basis for preparing the financial statements and accounting methods

The consolidated interim financial statements for the half year ending on June 30, 2009 have been prepared in accordance with the International Financial Reporting Standards for Interim Statements (IAS 34) as applicable in the EU.

The reporting period extends from January 1, 2009 to June 30, 2009. The previous year period is defined as the half year from January 1, 2008 to June 30, 2008.

The accounting and financial reporting methods used for this consolidated interim statement are in accordance with the methods applied to the group annual statements ending December 31, 2008.

## Stock option plan

In H1/2009, expenditures for the 2006 and 2008 Stock Option programs amounted to €503 thousand. The evaluation of the Stock Option plans was conducted by Mercer Deutschland GmbH. The expenditures for both programs were calculated by means of the same evaluation methods.

## Treasury stock

In the first six months of 2009, the Company purchased 31,878 treasury shares at a price of €949 thousand (previous period €0 thousand).

## Company acquisitions

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 Sirketi (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.

## Additions and disposals of assets

Investments in self developed software increased to €1,739 thousand for the six-month period from January 1, 2009 to June 30, 2009 (previous period: €946). The position for capitalized self-developed software includes expenditures for improvements and additional functions and features of the XING website.

The Group made investments for the purchase of IT software and hardware as well as other office equipment amounting to €2,561 thousand in H1/2009 (previous period: €620).

## Breakdown of other operating expenses

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

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008
IT services, management services and services for new markets	2,384	1,096
Legal advice, audit and accounting fees	1,241	1,241
Payment costs	800	678
Server-Hosting, management and traffic	579	743
Travel, entertainment and other business expenses	354	209
Other	1,1068	754
<b>Total</b>	<b>6,426</b>	<b>4,721</b>

The category "Other" mainly includes payments for office rental, office supplies, and communications.

## Segment information

XING AG has only one segment which is subject to reporting requirements, with the areas Subscriptions (including revenues from Premium Memberships and Premium Groups), Advertising, Jobs, Best Offers, and Miscellaneous.

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

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008
Subscriptions	17,858	12,643
Advertising	733	1,132
Jobs	2,229	1,836
BestOffers	202	142
Others	42	26
<b>Total</b>	<b>21,064</b>	<b>15,779</b>

The "eCommerce" area has been renamed "Jobs".

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008
Dach	20,013	14,772
International	1,051	1,007
<b>Total</b>	<b>21,064</b>	<b>15,779</b>

The former differentiation into the geographic segments Germany, rest of Europe, Asia, Americas, and Other, has been changed to Germany, Austria and Switzerland (DACH), and International. This new differentiation reflects the new organizational focus.

Long-term segment assets have increased considerably, in particular the activation of self-developed software for the XING platform and the acquisition of the knowledge base represented by some former employees of epublica GmbH, which was responsible for programming the platform until its acquisition. These increases can be seen in the following table:

in € thousand	01/01/ – 06/30/2009	01/01/ – 06/30/2008
Germany	16,041	5,419
Rest of Europe	15,505	17,591
America	3,385	0
Asia	471	390
<b>Total</b>	<b>35,402</b>	<b>23,400</b>

## Contingent liabilities

The Group recognized leasing payments amounting to €184 thousand during H1/2009 (previous period: €91 thousand) in the income statement. Future minimum lease payments attributable to finance leases amount to €33 thousand within one year and €0 after one year.

Furthermore, the Company recognizes contingent liabilities stemming from the earn-out agreement with Socialmedian Inc. amounting to €2.5 million.

## Related parties

In the first half year of 2009, payments of €213 thousand were made to epublica GmbH before it was acquired by the Company (previous period €1,035 thousand), plus an additional €34 thousand.

Mr. Norbert Schuler, who supports the development of the XING platform on a freelance basis and is shareholder of XING AG, rendered services in the first half year of 2009 amounting to €104 thousand (previous period: €0 thousand).

Mr. Heiner Jürgensen, who supports the development of the XING platform on a freelance basis and is shareholder of XING AG, rendered services in the first half year of 2009 amounting to €76 thousand (previous period: €0 thousand).

## Director's dealings

Since Q1/2009, there were no transactions to report as per Art. 15a of the German Stock Act.

Details of Director's Dealings in accordance with Section 15 of the WpHG can be viewed on the Company's website under "Investor Relations".

## Major events during and after the reporting period

Since July 1, 2009, Ingo Chu is the new CFO of XING AG. He replaces Eoghan Jennings, who resigned his post on April 30, 2009.

Hamburg, August 10, 2009

Dr. Stefan Gross-Selbeck  
CEO  
XING AG

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CFO  
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Burkhard Blum  
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Michael Otto  
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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.

The Executive Board  
Hamburg, August 2009



## AUDITOR'S OPINION

To XING AG, Hamburg:

We have reviewed the interim condensed consolidated financial statements, comprising the condensed balance sheet, the condensed income statement, the condensed cash flow statement, 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 2009 to 30 June 2009, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapier-handelsgesetz": 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 ["Wertpapier-handelsgesetz": 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 10, 2009  
Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Klimmer  
Wirtschaftsprüfer  
(German Public Auditor)

Borcherding  
Wirtschaftsprüfer  
(German Public Auditor)

## FINANCIAL CALENDARS

Date	Disposition
August 13, 2009	Interim report H1 2009, Hamburg
November 12, 2009	Interim report Q3 2009, Hamburg

## MASTHEAD AND CONTACT

This half year report is available in German and English.

Both versions and additional press information are available for download at [www.xing.com](http://www.xing.com).

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