XING

ANNUAL REPORT 2008

XING – NETWORKING FOR BUSINESS PROFESSIONALS

190 countries on the XING platform

16 languages of content

7.0 million members in the XING network

KEY FIGURES

		2008	2007[2]	Changes in %
Revenues	in € million	35.27	19.61	80
EBITDA	in € million	12.93[1]	6.89	88
EBITDA margin	in %	37[1]	35	2
Result for the period	in € million	7.32	5.61	31
Cashflow from operating activities	in € million	17.73	8.86	100
Cashflow from operating activities	in €/share	3.41	1.70	101
Earnings per share (undiluted)	in €	1.41	1.07	32
Equity	in € million	52.33	45.98	14
Number of registered members	in millions	7.00	4.83	45
of which Premium members	in thousands	550	362	52
Number of contact connections	in millions	124	76	63
Number of employees		174	109	60

[1] Adjusted by one-off expenses resulting from discontinued M&A activities (€768 thousand)
[2] Continuing operations

MISSION STATEMENT

XING AG operates the xing.com Internet platform according to the motto "Discover and utilize your relationships", giving business professionals access to customized networking tools. Businesspeople in all industries, from salespeople, IT technicians, communications experts to bankers need an efficient tool for managing their professional contact networks and creating real value. Business networking has long been recognized as a key factor in career success, and XING has both influenced and has responded to this trend. At present, over 7 million members around the world use XING to expand and manage their business contact networks. They make XING Europe's leading business network.

This continual member and market growth is matched by the solid position of the XING AG share in the Frankfurt Prime Standard segment. The Company had its successful IPO in Q4 of 2006, the first Web 2.0 company to do so. The Company has over 200 employees, and is based in Hamburg, Germany, with offices in Beijing, Barcelona and Istanbul. From its inception, XING has offered all functions and features in 16 languages, the first business networking website with such an international reach.

CONTENTS

Dr. Stefan Gross-Selbeck

In January 2009, Dr. Stefan Gross-Selbeck took over chairmanship of the Executive Board from XING Founder Lars Hinrichs. In this joint interview, predecessor and successor outline corporate strategy and venture a look at the future path ahead.

Changing CEOs in the midst of a global financial crisis: Isn't this a risky thing for such a young company to do?

Lars Hinrichs: Not at all. This is the right time to hand over the position of CEO of the company to someone who has the necessary experience. Since I founded the company over five years ago, we've grown at a continual rate and improve both our revenues and our profits in each successive quarter. During this phase of growth, we established two additional scalable revenue streams in 2008 to complement our Premium Subscriptions business model. Our business as measured in financial and member figures continued to grow even in the midst of the global financial crisis in the second half of 2008.

In order to effectively manage this growth, we've continually expanded our management team. All these indicators point to the fact that XING is not a start-up anymore (and hasn't been for some time), but rather a mature company with an enormous potential for growth. We have to live up to that potential, and we'll do so with new leadership, which also includes an Executive Board now made up of four members.

Why is Dr. Stefan Gross-Selbeck the right person to follow in your footsteps?

Lars Hinrichs: I've known Stefan for some time, and believe him to be the best man in the business to launch this company towards new dimensions of growth. As the General Manager of eBay Deutschland, he successfully led an Internet company with over one thousand employees and stood at the helm of one of the largest online communities in the world. For that reason, the Supervisory Board and I selected Stefan to take my place as CEO. We're all very happy that he agreed to take up the challenge here at XING.

What role will you play in the future as Supervisory Board member?

Lars Hinrichs: I'm an entrepreneur by nature, and so the associated skills and affinities are ones that I'll incorporate into my duties on the Supervisory Board. I'm happy to be able to assist all members of the Executive Board in an advisory capacity. One thing is clear, however: I won't be involved in the daily operating activities of XING AG, as the separation of powers and duties between the Executive and Supervisory Boards are both necessary and healthy for a company.

Now to you, Stefan. Are you the right person to help XING navigate through these tempestuous times and achieve the next round of successes?

Dr. Stefan Gross-Selbeck: I think that my experience is very relevant to what we have ahead of us. We're a growth company, and growth companies have to focus on where they concentrate their resources, and to continue to develop the team and the organization.

To use your metaphor, in tempestuous times – and you're right to call these times of crisis tempestuous – a captain is only as good as the crew steering the ship. At XING, I know that my three Executive Board colleagues Burkhard Blum, Eoghan Jennings and Michael Otto, and I have an experienced team on our side, one that can keep the course of growth despite the difficult economic times. We have an excellent framework for success, and I'm looking forward to facing the challenge of working with the team to make the most of our potential and lead the company to further growth.

Lars Hinrichs, founder of the company, is a tough act to follow. How do you intend to make your own mark on the company?

Dr. Stefan Gross-Selbeck: Lars, his Executive Board and the rest of the team have set up an organization here in Hamburg that is the talk of the entire Internet community. In 2003, at the lowest point in the New Economy collapse, a number of web-based business ideas were failing. Lars developed and implemented a business model, and took it online just a few weeks later. That takes a great degree of entrepreneurial gumption – and a motivated, capable team, of course. In the five years since then, that startup has become a very successful international company.

Now it's time for a new phase in the company's future: We have to plan strategically for the long-term to orient the platform in line with ever-changing customer needs, and to ensure a continual influx of new members. We also have to prepare the internal structures for growth: from controlling to a more international customer management staff to technical advances on the platform itself. The Executive Board will approach these topics with the necessary speed.

What do you plan to do differently than your predecessor?

Dr. Stefan Gross-Selbeck: It's not about doing something "different", it's about doing the right thing. We are on the right track. In all eight financial quarters since going public, the company has shown in an impressive fashion how a social network can increase its revenues and profits.

How do you plan to maximize the existing potential?

Dr. Stefan Gross-Selbeck: Our particular competitive advantage is that we offer our members the most value for their professional networking needs. Our key strategic goal should therefore be to concentrate on developing exactly those features on the platform which offer the greatest career benefits for our members.

If we do this, there will be a circular effect: More value will increase member activity, which in turn will lead to more invitations and more new members on the platform. More members and more active members are the solid foundation upon which our sustainable growth will be built.

Can you give a specific example of this?

Dr. Stefan Gross-Selbeck: Right now, over 40 thousand recruiters and HR reps use XING as a tool to find candidates. They use our platform to reach more potential candidates than they would on classic job search sites, because often the best qualified managers and professionals are not actively looking for jobs. At the same time, almost any of these professionals is open for the right career opportunity, if it were to come along.

In the future, recruiters will continue to gain significance for XING, on the one hand because people are more mobile and stay at companies for shorter periods than before, and on the other hand because jobs are increasingly passed on through personal contacts, as various studies have shown. That's why we're concentrating on developing features and services on the platform for recruiters and HR representatives. Their activity on the platform in turn provides benefits for a lot of other members.

Does XING need a crisis management program?

Lars Hinrichs: Actually, recent months have shown that if anything, XING is benefiting from the global financial crisis. Growing numbers of members and a boost of activity on our platform tell us that more and more business-people use XING to gain access to additional career opportunities.

Besides the positive effect this has had on our balance sheet, we can boast of being completely free of debt, and have access to liquid assets amounting to over 42 million Euros. We're on track to continue our course of growth and success in 2009.

The prerequisites for continuing this growth are there, but internal structures often need to be re-examined and adapted to meet tomorrow's business needs.

Critics maintain that tried-and-true business practices such as a game of golf will never be replaced by Internet-based business networking. Isn't it really the case that XING's growth will only last until the Web 2.0 hype has quieted down?

Lars Hinrichs: There's no contradiction there, the one doesn't rule out the other. Online networking dovetails very nicely with a good game of golf, as it were. Just have a look at the nearly 1,000 golfing events on XING which were organized last year by members for members. The "old game of golf" was updated for the online age with events in Dubai, Budapest, and Luxembourg. It is precisely this mix of online and offline networking that makes business professionals today so successful.

The price of the XING share couldn't keep up with the development in revenues and profits. What are you doing to change this?

Dr. Stefan Gross-Selbeck: If you compare our share price in the course of last year with that of other TecDAX companies, you'll see that the XING AG share has done quite well. Naturally, we're not happy with the share price, either.

Our task is to ensure lasting value appreciation based on profitable growth. Every day, over two hundred employees work toward that end. Sooner or later, this will be reflected in our share price. Just look at the analysts' valuations, they soundly confirm that our share is undervalued.

Lars Hinrichs

Keep in mind that eight banks already cover the XING share, and regularly publish studies and target prices for our company. In 2009, we'll continue to work on expanding these multipliers, actively promoting communication with existing and potential investors and informing them of the opportunities and potential of XING AG.

What specifically do you want to focus on in 2009?

Dr. Stefan Gross-Selbeck: The management team has set three areas of focus for 2009: We intend to increase value for existing members through innovations. We intend to expand special services for recruiters. And finally, we intend to further strengthen our international activity. These are clear priorities which are the focus of our entire team. By following this course, not only will we make 2009 a success, we will simultaneously set the foundation for growth in coming years.

One last question: How do you plan on catching up with Lars Hinrichs in terms of XING contacts?

Dr. Stefan Gross-Selbeck: Well, I think trying to match Lars in the number of contacts would be a very ambitious goal. After all, he has a few years ahead of me on the platform, and we all know he is a "networker by nature", who continues to make new contacts via the platform.

As for me, I've been a Premium Member on XING since my time as GM of eBay, because XING is definitely a "must have" for those in the Internet world. When my move to XING was announced at the end of 2008, I was able to catch up a bit. Alongside the positive feedback I received from so many people, my number of contacts on the XING platform basically tripled overnight. After such a warm welcome, I truly felt more at home.

Thank you for the interview.

The interview was conducted by Patrick Moeller,
Director Investor Relations at XING AG

EXECUTIVE BOARD

Lars Hinrichs
https://www.xing.com/profile/Lars_Hinrichs
CEO and Founder (until January 15, 2009)

Lars Hinrichs founded the company in 2003 and served as CEO until stepping down in January 2009. He is now a Supervisory Board member. During the 2008 financial year, he was responsible for Corporate Policy and Corporate Strategy. He also managed the Corporate Communications, Product & Engineering and Marketing divisions.

Dr. Stefan Gross-Selbeck
https://www.xing.com/profile/Stefan_GrossSelbeck
CEO (since January 15, 2009)

Dr. Stefan Gross-Selbeck assumed the position of Chief Executive Officer (CEO) on January 15, 2009. Since then he is responsible for Corporate Strategy, Corporate Communications, and HR. He also heads the Marketing, Sales, and Product divisions for Germany, Austria and Switzerland.

Burkhard Blum
https://www.xing.com/profile/Burkhard_Blum
COO

As Chief Operating Officer, Burkhard Blum is responsible for the International division, Mergers & Acquisitions, and Legal Affairs. Mr. Blum was appointed to this position by the Supervisory Board as of January 21, 2009.

Eoghan Jennings
https://www.xing.com/profile/Eoghan_Jennings
CFO

In his role as Chief Financial Officer at XING AG, Eoghan Jennings is responsible for Accounting, Controlling, and Investor Relations.

Michael Otto
https://www.xing.com/profile/Michael_Otto
CTO (since February 6, 2009)

Michael Otto was appointed to the Executive Board on February 6, 2009, by the Supervisory Board. As Chief Technical Officer, he is responsible for technological development and the realization of new functionalities on the platform.

SUPERVISORY BOARD

Dr. Neil V. Sunderland
https://www.xing.com/profile/Neil_Sunderland
Chairman
Zumikon, Switzerland

Dr. Neil V. Sunderland has overseen the growth and development of private and publicly owned companies as a member and Chairman of Supervisory Boards in Switzerland, Germany, the UK, USA and Australia. Dr. Sunderland now supports growth companies operating in the Internet, media convergence and eCommerce sectors.

Dr. Eric Archambeau
https://www.xing.com/profile/Eric_Archambeau
Assistant Chairman
Brussels, Belgium

Dr. Eric Archambeau is a serial entrepreneur. Among the companies he has founded are Right Software, Trading Dynamics and eGroups. Dr. Archambeau is General Partner of the venture capital firm Wellington Partners.

William Liao
https://www.xing.com/profile/Bill_Liao
Supervisory Board (until December 15, 2008)
Appenzell, Switzerland

William Liao was instrumental in creating the XING platform together with Lars and Daniela Hinrichs. He has over 20 years of experience in technology and sales, and was Founder of Davnet Limited. Mr. Liao resigned from his position as member of the Supervisory Board with effect from December 15, 2008.

Lars Hinrichs
https://www.xing.com/profile/Lars_Hinrichs
Supervisory Board (since January 16, 2009)
Hamburg, Germany

Founder of XING and CEO until January 15, 2009. Mr. Hinrichs resigned from his position as Chief Executive Officer as of January 15, 2009 and was officially appointed to the Supervisory Board on January 16, 2009, as entered at Hamburg Registration Court.

XING – GROWTH IN THE MIDST OF A GLOBAL CRISIS

Eighty percent revenue growth, over two million new members, the acquisition of the market leader in Turkey, rapid employee growth, a continual stream of innovations – all this while boosting profitability – that's the impressive bottom line for the 2008 Financial Year.

"Thanks to XING, I've gotten assignments from Germany, Switzerland and Spain."
Graphic designer, India

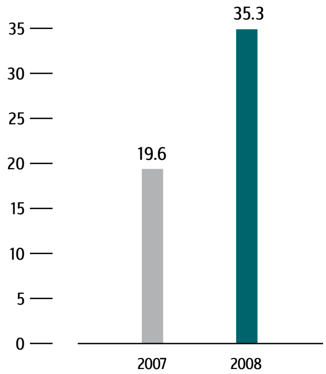
"Using XING we were able to reach a sales agreement for our security software."
Norman Data Defense Systems, Belgium

"I spent time in the relevant XING groups, and found five candidates of interest. We've since signed employment contracts with all five."
Personnel recruiter, Germany

"Using XING, I found a manufacturer in China."
Supplier of astronomy products, Israel

"Thanks to XING, the theater festival we organized was a complete success."
Festival agent, France

Revenues in € million



XING AG continues to write the success story it began in 2003. In each of the past five years, the company has increased member figures and revenues, quarter for quarter. At the end of the reporting year, approximately seven million people around the world were using XING to meet new business contacts, establish new sales channels, maintain their existing network, and much more. The success of the XING platform has to do with more than a network of contacts. For millions of people around the world every day, XING provides millions of people around the world every day the right information at the right time, and a range of tools for maximizing professional success.

The positive feedback from members confirms that we're on the right path, and is also a testament to the sheer diversity of the XING community served by the platform. People from almost every conceivable industry and profession are active on XING. They share the wish to make the most of networking for their business.

For over 550 thousand of these members, the XING platform has proven itself sufficiently valuable for them to pay a monthly fee ranging from €4.95 to €6.95 for access to Premium features and functions. These members are particularly active on the platform and benefit from all XING has to offer. Premium Members, for example, can see the names of all members who view their profile page, and have access to the Advanced Search to find business partners or other contacts in a more targeted manner. For the approximately 6.5 million other members, the no-cost basic membership meets networking needs. These members have the ability to create a "digital calling card" which can be made available to search engines, can view employment listings on the XING Jobs page, and maintain their network. Particularly in difficult economic times, setting up and maintaining a relevant professional network is mandatory for success. XING offers members the opportunity to do just that, and additionally provides representatives of companies with a professional forum where they can position their products and services. In this way, XING is fulfilling an exigent need, allowing its members to tap their potential for present and future success to the greatest degree possible.

49

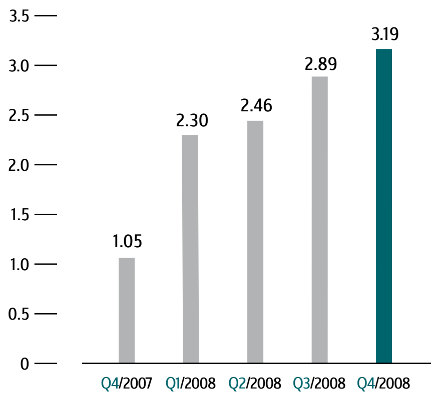
cents per click
for a new employee

THE XING JOBS PORTAL – CAREER OPPORTUNITIES EVEN IN TOUGH ECONOMIC TIMES

Posting jobs on XING offers unique value to HR staffers and recruiters, as XING Marketplace allows them to reach more qualified candidates than with conventional job ads. This feature makes XING the ideal platform for those looking to hire top candidates.

Marketplace clicks

in millions



Instead of merely receiving applications from those currently looking for work, decision makers have access to a much larger pool of potential candidates. In principle, every XING member, from expert to manager, is potentially reachable with a Marketplace posting. Thus, a Marketplace posting reaches even individuals who are not actively searching for a job, but who may be willing if the right opportunity were to arise. Naturally, this makes job postings on XING very appealing to companies looking to hire. The bottom line is equally appealing: companies only pay 49 cents a click for postings, and have complete control over costs.

Intelligent profile matching

The newest Marketplace innovation is a “matching” system which allows members to rate the relevance of jobs. The effect of this improvement is twofold: for members, it means better job suggestions. For employers and recruiters, it means a larger pool of motivated and interested candidates.

This innovative and intelligent profile matching system links companies with qualified candidates around the world. Candidates whose profiles match a job will automatically see related listings on their XING start page. For XING members, Marketplace is more than finding the right job. Launched in October 2007, the feature allows members to do more with their network, from recommending jobs to friends and learning which companies are hiring to getting in touch with the people behind the job. By helping its members make the most of career opportunities, XING Marketplace complements standard career sites and job portals. For job seekers and professionals who are merely curious what’s out there, XING Marketplace offers the chance to learn more about what jobs are available, who’s hiring, and – often essential in this globalized world – how they are connected with the job poster through their network. In the first 12 months after inception, XING members clicked on Marketplace nearly 11 million times, generating approximately €4 million in revenue.

Starting in November 2008, job ads are now shown on members‘ start pages, and can be rated for relevancy. After a successful eight-week beta testing period with 10 thousand members from almost all industries and occupations, the rating feature was released to the XING community, allowing all professionals, managers, and freelancers on the website to make use of the enhanced functionality. Members are able to rate jobs suggested to them by allotting from one to four stars. Even after a few stars, an intelligent algorithm will improve future suggestions considerably. Ratings can be modified or deleted at any time, and jobs can be re-rated. The rating system goes a long way toward fulfilling member career aspirations, making XING Marketplace the perfect tool for bringing companies and candidates together.

GROUPS ON XING – PROFESSIONALS IN DIALOGUE WITH EACH OTHER

Of course, XING is a platform on which businesspeople maintain their digital calling cards and manage their networks, but it is so much more than that as well. It is a gathering point for those interested in a specific topic, with over 22 thousand groups dedicated to a seemingly endless variety of topics and geographic focal points.

22 THOUSAND GROUPS FOR 2 MILLION MEMBERS

In XING groups, members can ask questions and trade experiences and ideas with other experts around the world. Indeed, every member participating in a group has the opportunity to establish himself or herself as an expert in the eyes of the international group of readers, an excellent prerequisite for boosting new business. Over two million XING members have already discovered these benefits for themselves, most joining multiple groups. Their activity is a key factor in the uniquely high level of member participation on the XING professional network, and frequently leads to new stimuli for professionals around the globe. The abundance of existing group topics is expanded on a daily basis, as new groups are created on the platform.

In just a few clicks, a member can create a new group to match exactly her interests. She can then apply as a moderator of the group, if desired. The next step in the creation of the group is for the XING Community Management team to check the proposed group for viability, especially with regards to overlaps with existing groups. Once this stage has been met, the group is approved. Moderators begin inviting people to join their group, new discussion threads are opened, and the group comes to life. Private individuals who wish to open groups are not the only ones creating groups on XING, however. A number of companies, universities, and professional organizations also use XING to manage their employee or alumni networks within the larger XING Community. These groups are a valuable networking tool for both XING Premium and basic members.

Enterprise Groups for companies

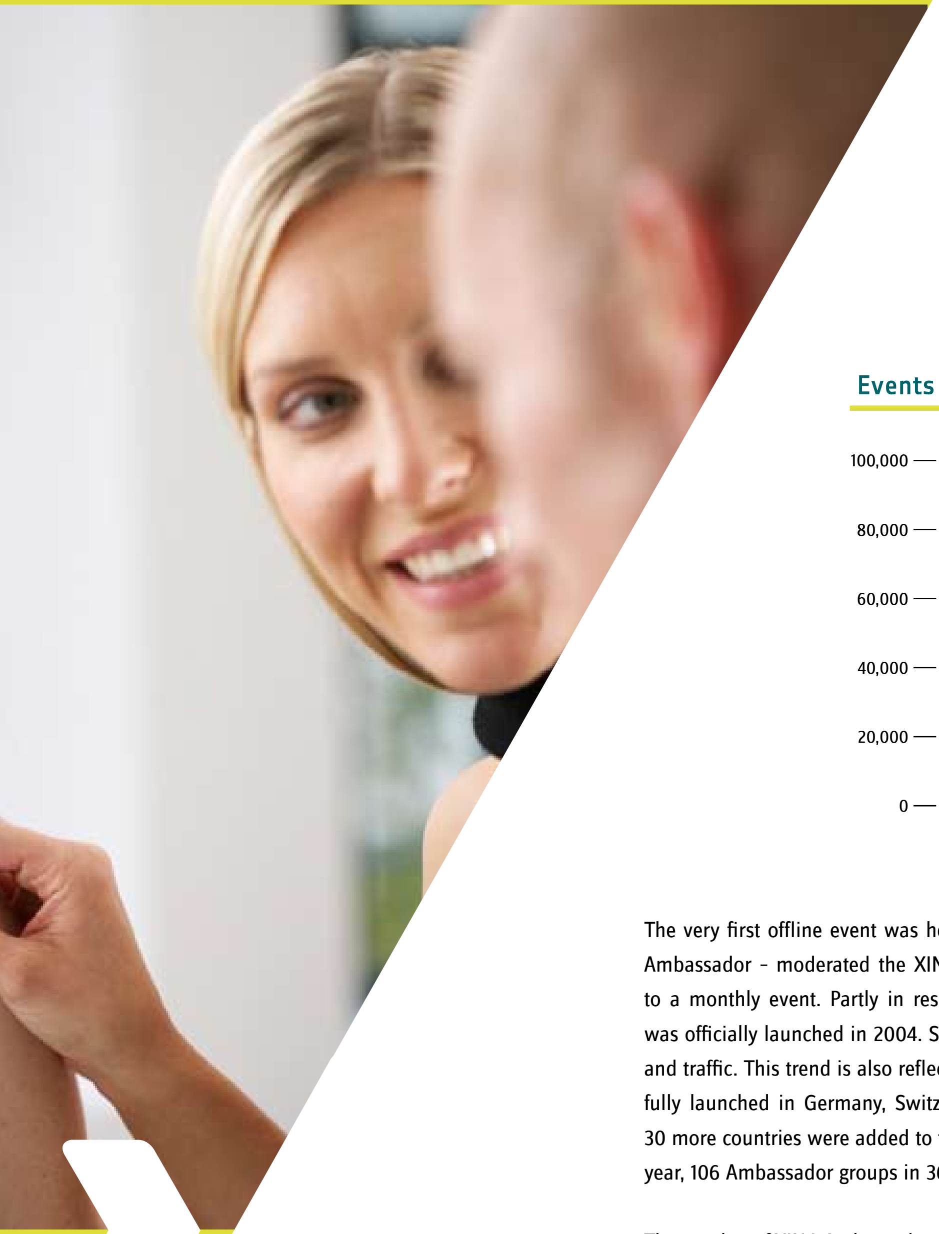
XING also offers custom designed group solutions for corporate use, perfect for companies who wish to capitalize on the Web 2.0 revolution. Not surprisingly, the number of corporate clients interested in social networks is on the rise. XING is doing its part by designing special solutions to meet the professional networking needs of corporate clients. This approach offers the potential for substantial synergies for all parties.

XING Enterprise Solutions allow corporate clients to unite product-specific discussions or internal company communication with the advantages of social networks. What's more, social networks can be instrumental in enabling contact with former employees and customers, strengthening brand image. For these reasons and others, social professional networks now have an established place in work and careers. According to BITKOM, the German professional organization for information technology, telecommunications and new media, online social networks increase corporate efficiency by optimizing access to information and data, enabling companies to react to market trends more quickly.

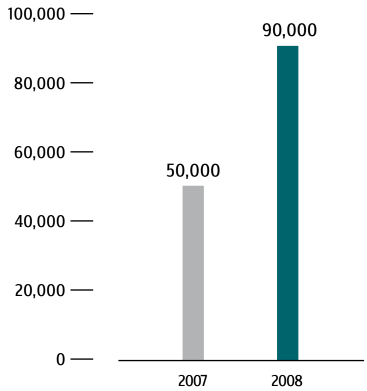
Several multinational corporations including PricewaterhouseCoopers, IBM and T-Systems have already entered into Enterprise Solution agreements with XING, setting up their own Enterprise Group on the platform. The Enterprise Groups serve as a form of crucial employer branding, and also link former and current company employees in dialogue. Companies can also use the Enterprise Group to conduct market analyses and publish studies, as a convenient channel for inviting all relevant individuals to attend events, and to discuss pressing topics with a selected audience that is uniquely possible in such a forum. Indeed, XING creates a unique environment in which companies can set up and manage a community of employees and alumni, or can discuss product improvements and innovations with existing and potential customers. By integrating these processes into the larger XING Community, companies maintain a balance between branded exclusivity and broad public awareness, and can actively become involved in the public discussion of their goods or services.

XING EVENTS – WHERE ONLINE NETWORKING GOES OFFLINE

From business events in Shanghai to cocktail parties in Dubai and boat trips in Hamburg – XING members met increasingly often all around the world last year. Members organized around 90 thousand public and closed events for other members. This is equivalent to an increase of around 60 percent over the previous year. The number of guests attending is testament to the success of the events: Around 500 thousand people attended the events in 2008.



Events



The very first offline event was held five years ago. Back then, Martin Bockelmann – now XING Ambassador – moderated the XING Community Munich group, and began inviting his contacts to a monthly event. Partly in response to the success of this phenomenon, the Events feature was officially launched in 2004. Since then, XING Events have enjoyed ever-increasing popularity and traffic. This trend is also reflected in the Ambassador groups. After this program was successfully launched in Germany, Switzerland, Austria, Hungary, China and the Middle East in 2007, 30 more countries were added to the program during the 2008 financial year. As of the end of the year, 106 Ambassador groups in 36 countries contributed to increased member activity.

The number of XING Ambassadors also increased considerably during the reporting period, inviting members from their local regions to many different offline events last year. From get-togethers in London and Madrid to Herring parties in Amsterdam and bowling events in Dubai, 718 official XING Events took place around the globe.

Members meet and get to know potential business partners or future employers in a relaxed atmosphere at these events actively promoted by XING AG, and allow them to build on existing contact relations through personal discussion. Official XING Events are organized by specially selected and licensed XING Ambassadors in line with the quality standards of XING Event guidelines. XING members and their personal networks form the focus here.

XING AG launched a new version of its Events section in December 2008. As a result of improvements made, XING members can now create and organize events even more simply, intuitively and effectively on the platform than ever before. Extensive functionality enables event organizers to invite guests from outside of the XING network too, for instance. A new filter capability makes organizing events even easier, allowing members to invite people from their network by name, company, or individual tags. This means that they no longer have to select people individually whom they wish to invite to an event. Official XING Ambassadors can also advertise their events as “Official XING Events”. Members can now also view an info box which shows them at which events they can meet their own personal contacts. They automatically receive valuable suggestions about interesting events in this way and can plan to attend themselves as well.

While basic members can create one event and invite a maximum of ten people every month, Premium Members have unlimited use of the Events feature at their disposal. This provides real added value, especially for members who are very active networkers.

XING offers business networking on an international scale that reaches all corners of the globe. Members from 190 countries network with each other on the platform in 16 different languages – with over 80 percent of all European members being able to use XING in their native language. Branch offices in Hamburg, Barcelona, Istanbul and Beijing, staffed with local teams, allow XING AG to supervise and grow regional communities on a local level and enable the company to act individually in line with the idiosyncrasies of the respective market.

XING
INTERNATIONAL ACTIVITY AS A KEY SUCCESS FACTOR

Members by region in millions	Q4/2008	Q4/2007
Germany	2.457	1.731
Rest of Europe	1.553	0.749
South-America	1.017	0.838
Spain	0.949	0.827
Asia	0.612	0.456
Northamerica	0.361	0.196
Others	0.053	0.036

XING owes much of its growth to its active members who believe in the value of the platform and actively recommend membership to others (viral marketing through personal invitations and recommendations). XING's solid membership base now spans 190 countries around the world. Its uniquely international focus – the platform is used in 16 languages – also represents a key accelerator for strong future growth.

LONDON:

2008 saw XING enter the UK market with a large-scale marketing campaign. Banner advertising, print advertising and SEM (Search Engine Marketing) complimented the outdoor campaign, which ran under the motto: “Start networking, not just linkin”. The growing and increasingly active XING community comes together more and more often in a real-world context. The first official XING event took place in London in the fall of 2008.

FRANKFURT:

Well over 100 thousand Frankfurt citizens are already registered on XING. This is equivalent to around 20 percent of the entire population of 650 thousand people. In 2008, the number of XING members in Frankfurt rose by more than 40 percent.

MUNICH:

The Bavarian capital is Germany’s epicenter when it comes to business networking. More than 180 thousand people in Munich network online using the XING platform. The “XING Community Munich” is also the largest regional group on XING with around 45 thousand members.

BARCELONA:

Barcelona is home to both XING’s subsidiary office in Spain and the largest Ambassador group on the Iberian peninsula – which attracted more than 5,400 members within a single year of being founded.

MOSCOW:

The official “XING Moscow” group already has around 5,000 members, who work in the most diverse of industries. Interesting encounters come about at the regular events, as experts and managers from banks and management consultancies come face-to-face with specialists from media and IT companies. The membership base in Russia grew by more than 50 percent within 12 months.

MILAN:

XING is now locally represented for the Italian community. The team, headed by Country Manager Cipriano Moneta, manages the growth of regional groups, as well as encouraging and supporting the organization of regional and specialist events for Italian members.

MADRID:

Madrid is also a major center of member activity: More than one hundred members attended the first official live event held by the XING Madrid group to get to know each other and network on a personal level.

ISTANBUL:

Turkey formed the focal point of many different activities in 2008: XING was able to build further on its market leader position here, thanks to the newly-opened subsidiary in Istanbul, the establishment of a local team headed by Country Manager Hakan Gönenli, the roll-out of the Ambassador program and the “My network value” marketing campaign. More than 200 thousand XING members live and work in Istanbul alone.

BEIJING:

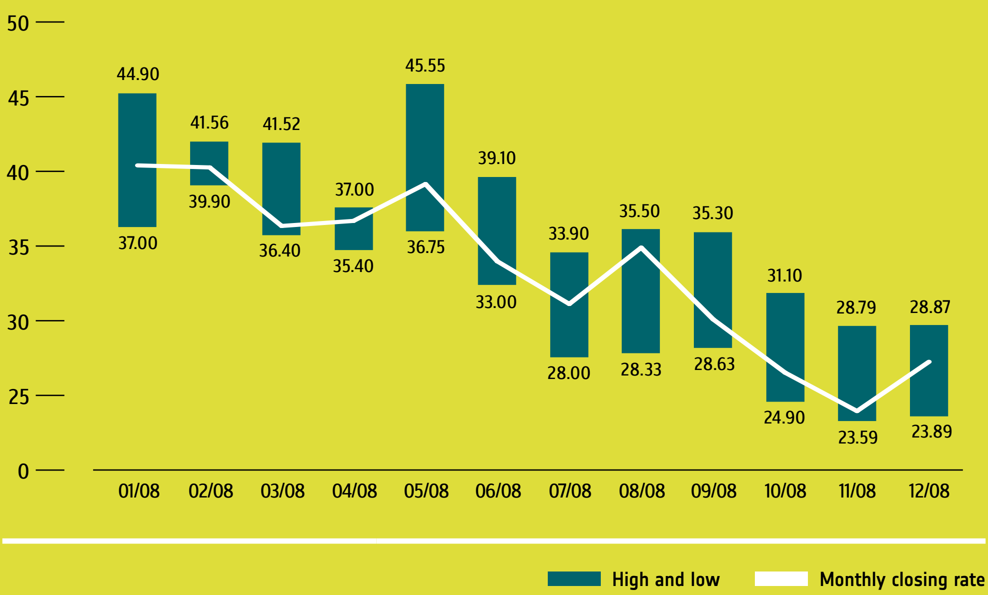
The first XING AG office based outside of Germany has been operational since 2005. The local XING team supports the growing Chinese community in their networking endeavors from its base in the capital Beijing.

XING shares

XING share data

Number of shares	5,201,700
Type of share	Registered shares
IPO	07.12.2006
Trading symbol	O1BC
Securities identification number (WKN)	XNG888
ISIN	DE000XNG8888
Bloomberg	O1BC
Reuters	OBCGn.DE
Market segment	Prime Standard
Stock exchanges	Berlin, Bremen, Dusseldorf, Frankfurt, Munich, Stuttgart

XING share price development (high and low) Jan. to Dec. 2008 in €



Figures for XING shares, at a glance	2008	2007
XETRA closing price on 12/31/2008	€27.00	€44.21
High	€45.55	€50.79
Low	€23.59	€26.00
Market capitalization as of 12/31/2008	€140 million	€230 million
Average trading volume per trading day	7.472	10.981
Ranking in TecDAX		
Based on trading turnover	35	58
Based on market capitalization	37	49
Earnings per share (undiluted)	€1.41	€1.07
Free cashflow per share	€3.41	€1.70
Equity per share	€10.06	€8.84
Price-earnings ratio at year end (PER)	19	40

As a result of the global financial crisis which deepened as the year progressed, XING AG was unable to repeat its successful share returns of the first year as a public company in 2008. During the previous financial year, the XING AG share beat all comparable indices. As 2008 progressed, share price fell with the acceleration of the financial crisis, losing approximately 39 percent of its value. Despite this negative development, the share continued to be one of the more solid in the reporting year. All key market indices showed an average decline of over 39 percent. Shares on the German technology index TecDAX, for example, lost an average of 48 percent of their value in 2008.

XING share vs. indices in %	2008	2007
XING	(39)	44
TecDAX	(48)	30
DAX	(40)	22
SDAX	(46)	(7)

Most successful IPO since 2006

Since 2006, a mere 18 companies with a potential emission size greater than €50 million have chanced an IPO in Germany. One of those was XING AG, in December 2006. While investors in the other 17 companies to go public since 2006 have faced average losses of 60 percent of the emission prices, XING AG has lost a mere 10 percent of its value at emission, due to the company's excellent operative development and continuing increase in revenues and profits. These figures indicate the company can report the most successful German IPO in the past three years.

Improved position on the Deutsche Börse index ranking

The performance of the XING AG share in previous years, particularly in comparison with other companies on the TecDAX, led to an upward valuation of the XING AG share on the Deutsche Börse's monthly index ranking. This listing is of key importance because it serves as the basis for selecting the 30 companies included in the TecDAX index. In terms of turnover and market cap, XING AG improved its position in the ranking, going from positions 58/49 (turnover/market cap) to 35/37 as of December 31, 2008.

First ever share buyback

In the midst of the financial crisis and fears of recession, XING AG management resolved on November 10, 2008 to take advantage of the low share price and buy back up to €4 million in shares of the company via the Frankfurt Stock Exchange by April 30, 2009 at the latest. On January 16, 2009, XING AG purchased the last of 112,832 of its own stocks. The average weighted share price over the course of the buyback was €26.79. The company invested a total of €3.02 million in its own stocks. XING AG may then use these shares to fulfill existing stock options, as a medium of exchange during acquisitions, or may retract them.

Profit per share

The profit per share is arrived at by dividing corporate profits by the average weighted number of shares (IAS 33).

Earnings calculation	2008	2007
Net profit excl. minorities	€7,324 thousand	€5,729 thousand
Average weighted number of shares	5,196,383	5,201,700
Earnings per share according to IAS 33	€1.41	€1.07

The profit per share results from continued operational activities.

Rising interest on the capital market

It is an unfortunate fact that companies not associated with a particular index suffer a lack of attention on the capital markets. In fact, each such company is covered by an average of only 2.7 bank analysts. The result is an extreme difficulty in marketing the company's share to a wider investing public. In contrast to these standard limitations, capital markets have shown a great deal of interest in the XING AG share, both in the reporting period and in the prior period. The operative success of XING AG in connection with its innovative business models in one of the fastest growing industries makes it a darling of analysts and investors, particularly in comparison with the numerous other companies without index affiliation. The result of this trend is once again an increase in the number of analysts monitoring and recommending the XING AG share in the past financial year. At present, eight bankers are covering XING AG. The XING Investor Relations department expects this trend to continue, and additional analysts to start covering the XING share.

Analyst recommendations	Recommendation	Target
Berenberg Bank	Buy	€40
Cazenove	Outperform	€39.9 – 53.6
Deutsche Bank	Buy	€40
DZ Bank	Buy	€34
HSBC	Overweight	€40
Nomura	Buy	€54
Sal. Oppenheim	Neutral	€42
WestLB	Buy	€42

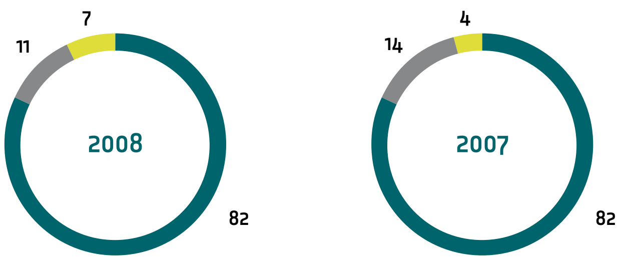
A review of the 2008 Annual General Meeting

As in the previous year, XING AG management was encouraged at the Second Annual General Meeting to stay the course, to build upon the operative successes of previous years and expand these. The Annual General Meeting passed all agenda items affirmatively with a majority of at least 97 percent. The next Annual General Meeting of XING AG is planned for May 28, 2009 in Hamburg.

Change in shareholders' group

In 2007, XING AG pledged to pursue a targeted investor communication policy and open communication with the capital markets. This plan of action was continued in the current reporting period. This approach has already proven its value: in 2008, XING AG was able to convince two institutional investors to participate in this seminal business model. We are pleased to announce that the Farringdon Group and Fidelity Investments have both exceeded the five percent and/or 3 percent required for reporting in their jurisdiction.

Shareholder structure



Germany, Austria, Switzerland USA/UK Others

The XING AG Investor Relations department is happy to take questions and comments:

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REPORT OF THE SUPERVISORY BOARD

The Supervisory Board will elucidate the nature and extent of its activities over the course of the financial year 2008 in this report. These activities focused to a large extent on the regular dialogue with the Executive Board, intensive consultation and support in matters regarding M&A projects, ongoing development of the Company's organizational structure, other organizational issues, the annual financial statements and the consolidated financial statements, the selection of a suitable successor for the former Chairman of the Executive Board Lars Hinrichs and the appointment of the new member of the Executive Board, Michael Otto, as Chief Technical Officer.

The Supervisory Board of XING AG exercised the duties which it is required to perform as a result of the law and Articles of Incorporation, as in the previous years, with great diligence and enthusiasm. To this end, the Supervisory Board provided consultation to the Executive Board in managerial decisions affecting the future of the fast-growing company on a regular basis, as well as monitoring the management of ongoing operations.

In the past financial year, the Supervisory Board was heavily involved in strategic and organizational decision processes that went beyond their standard monitoring activities. These decision processes concerned strategic issues such as the introduction of new operational divisions and changes to the competitive environment, as well as the review and appraisal of various different acquisition opportunities. The organizational structure of the Company was reviewed and adjusted where necessary, taking into account the rapidly growing number of employees, the increasing complexity of operational processes and the need for a strict controlling system in a difficult economic climate. As a result, this meant that the Supervisory Board and its various committees held an above-average number of meetings over the course of the year. All members of the Supervisory Board waived a part of their remuneration, commensurate with the maximum compensation due to the Supervisory Board as stipulated by the Articles of Incorporation. An overview of the compensation of the Executive Board and Supervisory Board can be found in the compensation report.

No member of the Supervisory Board attended fewer than half of the meetings held by the Supervisory Board. The Supervisory Board was promptly involved in all major decisions that were of vital importance for the company. The Supervisory Board took its decisions in relation to business requiring approval after having reviewed the documents provided by the Executive Board. In addition, all members of the Supervisory Board also maintained regular contact with the Executive Board in order to exchange information and ideas outside the Supervisory Board meetings. There were no conflicts of interest affecting members of the Executive Board and Supervisory Board which would have to be disclosed immediately to the Supervisory Board and which also had to be notified to the shareholders' meeting.

In the past financial year the dialogue with the Executive Board and consultation of the corporate management formed the focus of the activities of the Supervisory Board. The Executive Board provided the Supervisory Board with regular, prompt reports concerning the Company's planning and development of business, the results of operations and financial position of the Group, acquisition and investment projects of XING AG, as well as strategic developments. Any variances from objectives or budgets were explained to the Supervisory Board and were assessed by the Supervisory Board. The positioning of XING AG and its growth strategy within the context of a global recession were also discussed on several occasions during the course of the last year. The Supervisory Board has carefully exercised the duties which it is required to perform in accordance with the law, Articles of Incorporation and rules of procedure for the Supervisory Board and discussed the respective matters in focus with the Executive Board. Overall, 22 Supervisory Board meetings were held, in which the Supervisory Board also discussed with the Executive Board matters of corporate planning, internal organization, the business development and the review of acquisition opportunities. The risk situation, risk management and the compliance of the Company were also discussed. All members of the Supervisory Board attended the meetings of the Supervisory Board.

In the following section, the Supervisory Board reports on the key aspects of their monitoring and advisory activities during the financial year 2008.

Focus of monitoring and advisory activity

At the beginning of the 2008 financial year, the Supervisory Board discussed the budget planning for 2008 together with the Executive Board and approved the purchase of further shares (30 percent) in openbc China. Various discussions relating to possible acquisition options for the Company also took place. The annual compliance statement was also discussed and approved in spring. The compliance statement was then subsequently published on the company's website upon schedule.

In March, the Supervisory Board mainly considered the annual financial statements and the consolidated financial statements up to December 31, 2007, the proposal for the appropriation of profits as issues by the Executive Board and the draft of the invitation to the annual shareholder's meeting on May 21, 2008. Risk management and compliance system of the company were also discussed. The auditors presented their results and the Chairman of the Supervisory Board reported on the results of the Audit Committee. In addition, the Supervisory Board deliberated over its rules of procedure with regard to age limits for members of the Executive Board (65) and the Supervisory Board (75), respectively. Besides the Personnel Committee, Nomination Committee and Audit Committee, the Supervisory Board also formed two committees with no powers to adopt resolutions to deal specifically with acquisition and organizational issues. In view of the rapid growth in the number of Company employees and the establishment of new business divisions and markets, the Supervisory Board approved the proposal submitted by the Executive Board to commission a management consultancy firm to advise on and further develop the company's structure.

In the Supervisory Board meetings that followed, the plenum considered the project dedicated to the ongoing development of the company' structure and the respective implementation plan, as well as various different acquisition opportunities both within Germany and abroad.

In August, the Supervisory Board granted approval for the leasing of additional premises, in order to accommodate the growth in the number of employees with sufficient spatial capacity. More than 1,500 square meters of new office space were leased at the current site of the company headquarters.

At the meetings held in September and October, the Supervisory Board authorized the founding of the company XING Switzerland GmbH and discussed the Company's investment policy with the Executive Board regarding the minimization of risk involved in liquid asset investments, as well as dealing with other issues concerning the positioning of the Company in a difficult market climate.

At the meeting held in November 2008, the plenum accepted the decision made by Lars Hinrichs to lay down his mandate as Chairman of the Executive Board. After an extensive search, the Supervisory Board appointed Dr. Stefan Gross-Selbeck as the new Chairman of the Executive Board with effect from January 15, 2009. Further decisions included the appointment of Burkhard Blum (in January 2009) as Chief Operating Officer and the appointment of Michael Otto (in February 2009) to the Executive Board as Chief Technical Officer.

At the second meeting to be held in November 2008, the Supervisory Board decided for the first time to conduct a share buyback, sending out a positive signal in a weak stock market.

At its last meeting of the year held in December, the Supervisory Board approved the acquisition of Socialmedian Inc., based in New York.

Report from the committees

The Supervisory Board of XING AG has formed a total of five committees, designed to devote sufficient resources and capacities to issues requiring intensive and time-consuming consultation, such as advisory support for acquisition plans or the supervision of restructuring of the company's organization. The following committees met during the past financial year accordingly.

The Audit Committee held a total of two meetings during the course of the 2008 financial year. It deliberated on the audit of the annual financial statements, the consolidated financial statements as well as the corresponding management reports, the audit reports of the auditor, the proposed appropriation of profits and also the interim reports to be published. In addition, the Audit Committee was informed by the Executive Board about risk management and compliance in the company. The main subjects of deliberation in the financial year 2008 included the accounting policy in relation to the acquisitions of the Turkish business network cember.net and Socialmedian Inc. Discussions were held with the auditor with regard to subjects which are relevant for audit purposes. The Audit Committee prepared the application for the statement of independence of the auditor in accordance with point 7.2.1 of the German Corporate Governance Code, the awarding of the audit engagement to the auditor and the definition of the main aspects of the audit and the fee of the auditor to be approved by the Supervisory Board.

The Personnel Committee dealt with recommendations from the Supervisory Board relating to the appointment and compensation of the Executive Board. The Personnel Committee availed of the services of legal and executive search specialists. It was involved in considerations regarding the resignation of the Chairman of the Executive Board Lars Hinrichs as of January 6, 2009, and the search for a suitable successor to Mr. Hinrichs. It reviewed the composition of members of the Executive Board and approved the appointment of the new member of the Executive Board, Michael Otto, as Chief Technical Officer. Burkhard Blum was appointed Chief Operating Officer. The Personnel Committee were also concerned with the compensation system and the levels of remuneration of the Executive Board, in particular with regard to the granting to the Executive Board of variable compensation components in the form of stock options and bonus payments. Employment and termination agreements were negotiated with Executive Board members. The Personnel Committee met a total of seven times during the 2008 financial year.

The Supervisory Board accepted the resignation of Mr. William Liao with regret. The Nomination Committee proposed Lars Hinrichs to succeed him in this position as new member of the Supervisory Board.

The Acquisition Committee considered the company's complex M&A intentions and provided advice on planned transactions such as the acquisition of Socialmedian Inc. in New York and the development team epublica GmbH in Hamburg. epublica has played a key role in the technical development of the XING platform ever since the founding of the company. This acquisition facilitates an improvement of technical processes and a simplification of the former corporate structures. The Acquisition Committee met a total of five times.

The Restructuring Committee formed in 2008 dealt in its six meetings held during the year with the restructuring of the company's organization and the implementation of individuals responsible for profit and loss within the two management levels. The committee also reviewed the risk management of the company.

Corporate Governance

As per point 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board provide information on Corporate Governance at XING in the Corporate Governance report. In February 2009, the Executive Board and Supervisory Board submitted the annual statement of compliance, which is also included in the Corporate Governance report. XING AG complies with most of the recommendations and is committed to good Corporate Governance as an integral part of management. The Supervisory Board has evaluated its activity on the basis of a Supervisory Board questionnaire. The findings we thus obtained have been duly incorporated into our work.

Audit of the annual financial statements and consolidated financial statements

The annual financial statements for the financial year 2008, which were prepared by the Executive Board in accordance with the rules of the German Commercial Code (Handelsgesetzbuch – HGB) and the management report of XING AG have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Hamburg, and have been awarded an unqualified auditor's opinion. This is also applicable to the consolidated financial statements and consolidated management report of XING AG for the financial year 2008, which were prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to section 315a HGB and which have also been awarded with an unqualified auditor's opinion of the auditor.

The annual financial statements and the consolidated financial statement, including the management report and the Group management report, as well as the audit reports of the auditor and the profit appropriation proposal of the Executive Board were submitted to the Audit Committee and the Supervisory Board in due time for them to be audited and were extensively discussed with both bodies. The auditors attended the deliberations on the submitted documents in the Supervisory Board and in the Audit Committee and reported on the main results of their audits. They were available to the Audit Committee and the Supervisory Board at all times in order to answer questions and provide information. In connection with the audit of the financial statements and the profit appropriation proposal of the Executive Board, the Supervisory Board also discussed the account policy and financial planning of the Executive Board with both bodies.

Following the definitive result of its own audit, the Supervisory Board did not have any reservations with regard to the annual financial statements which were submitted, the management report as well as the consolidated financial statements and the Group management report and, following the recommendation of the Audit committee and its own audit, approved the result of the auditor concerning the audit of the financial statements and the consolidated financial statements as well as the management report and Group management report of XING AG.

The Supervisory Board has approved the annual financial statements prepared by the Executive Board and the consolidated financial statements of XING AG. The annual financial statements of XING AG have thus been adopted. The Supervisory Board follows the proposal of the Executive Board with regard to the appropriation of the cumulative profit.

Changes in the Executive Board

Lars Hinrichs stepped down from his position on the Executive Board in December 2008. Having official relinquished this role in January 2009, and was then appointed to the Supervisory Board as entered at Hamburg Registration Court on January 16, 2009. Also on this day, Dr. Stefan Gross-Selbeck, the former General Manager of eBay Deutschland, was appointed as Lars Hinrichs' successor as Chairman of the Executive Board. The Supervisory Board assumed responsibility for the selection process, and is pleased to be able to place the management of the company into the hands of a respected Internet manager with experience in the sector, with a view to achieving the next important milestones in the company's success story together. In January 2009, Burkhard Blum was appointed Chief Operating Officer. Since the end of the financial year 2008, the Executive Board has been extended by a further member (as of February 2009) with the appointment of Michael Otto as Chief Technical Officer. In this newly created role, Mr. Otto will be responsible, among other things, for driving forward the technological enhancement of the platform and the implementation of new functionalities.

Conclusion

The Supervisory Board would like to thank the members of the Executive Board and all employees for their dedication and hard work.

Hamburg, March 10, 2009

Dr. Neil V. Sunderland
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

As of December 31, 2008, 1,438,881 shares (a total of 27.7 percent) and 25,000 stock options from the 2006 and 2008 stock option programs of XING AG, each of which entitle the holder to purchase one share of XING AG if the exercise conditions are satisfied, were attributable to the Chairman of the Executive Board, Lars Hinrichs, via LH Cinco GmbH. In addition, as of December 31, 2008, Daniela Hinrichs, Vice President Corporate Communications and wife of Lars Hinrichs, held 32,866 shares of XING AG and 13,214 options from the stock option program 2006 and 2008 of XING AG, each of which entitles the holder to acquire one share of XING AG if the exercise conditions are satisfied.

The mandates of the members of the Executive Board and of the Supervisory Board are listed in the notes. Relations with related parties are detailed in the notes to the consolidated financial statements.

Statement of the Executive Board and Supervisory Board of XING AG in accordance with section 161 AktG

In accordance with section 161 AktG, the Executive Board and Supervisory Board of a listed joint stock corporation have to issue a statement every year confirming compliance with the recommendations of the "Government Commission German Corporate Governance Code" announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette and also stating which recommendations have been applied and which have not been applied. The statement has to be made accessible to the shareholders on a permanent basis.

After proper assessment, the Executive Board and Supervisory Board of XING AG confirm the following: Since the the last statement of compliance was submitted, XING AG has complied with the recommendations of the "Government Commission Corporate Governance Code" in the version dating June 14, 2007, and has complied and will comply with the version dating June 6, 2008 from its date of validity, with the following exceptions:

3.8 (2) – D&O insurance deductible

XING AG has taken out a D&O insurance for its executive bodies that does not include a deductible. The Executive Board and Supervisory Board take the view that a D&O insurance deductible does not constitute an adequate means of achieving the code's objectives. Deductibles of this kind are usually insured by Executive Board and Supervisory Board members themselves, so that the actual purpose of the deductible is nullified.

4.2.3 (3) – Compensation of members of the Executive Board

XING AG does not fully comply with the code regarding the structure of stock options and comparable financial instruments. A cap in the event of exceptional and unforeseen developments was not included in the share option program of 2006, and is not included in the share option program of 2008.

4.2.3 (4) and (5) – Settlement cap for members of the Executive Board

The code stipulates that contracts for Executive Board members should specify that settlement payments including bonuses to Board members in the event of a premature cessation of duties be capped at a maximum amount of twice the annual remuneration to said Executive Board member, except in cases of good cause (settlement cap), and that said payments be made for a term equal or lesser to the remaining term of contract. XING AG did not agree upon a settlement cap in its Executive Board contract. XING AG takes the view that a settlement cap of this sort is at odds with the basic understanding of a regular Executive Board contract, which has been agreed upon for the duration of the term and cannot be terminated without good cause. Furthermore in practice, a settlement limitation in the event of premature cessation of Executive Board duties without good cause is not enforceable. In the case of a premature, amicable termination of an Executive Board contract, the Company will endeavor to accommodate the fundamental idea behind the recommendation.

Furthermore, the code stipulates that a settlement due to premature cessation of Executive Board duties due to a change of control not exceed three times the annual remuneration. One current Executive Board contract stipulates that in the event of a change of control under certain conditions, remuneration be paid at the contractual amount for the remainder of the term of contract or at least for a term of 1.5 years, whichever is greater. The same Executive Board contract as well as a second contract stipulates that in the event of a change of control, a cash payment be made to the Board member at the amount of issued but not yet exercised stock options. In individual cases, these agreements could lead to exceedance of the recommended settlement cap.

5.1.2 (2) – Definition of an age limit for members of the Executive Board

An age limit for members of the Executive Board has been set in the rules of procedure for the Supervisory Board since March 25, 2008. According to this regulation, members of the Executive Board should be appointed and re-appointed bearing in mind that they should not exceed 65 years of age during their period in office.

5.3.3 – Creation of a nomination committee

The Supervisory Board of XING AG formed a nomination committee as of March 25, 2008.

5.4.1 – Definition of an age limit for members of the Supervisory Board

An age limit for members of the Supervisory Board has been set in the rules of procedure for the Supervisory Board since March 25, 2008. According to this regulation, no member of the Supervisory Board may be older than 75 years.

5.4.6 (5.4.7 old version) Par. 2 – Remuneration of the Supervisory Board members

Remuneration of Supervisory Board members has not and does not contain performance-related compensation components. In the interest of insuring the necessary independent functions of the Supervisory Board, neither the Executive nor Supervisory Board wishes to provide financial incentives for short-term success of the Company.

Hamburg, February 2009

The Supervisory Board 	The Executive Board

Corporate Governance information on the Internet

In accordance with section 161 AktG, the Executive Board and Supervisory Board of a listed joint stock corporation have to issue a statement every year confirming that the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette have been or will be complied with, or what recommendations have not or will not be applied. This statement has to be made permanently available to the shareholders and can be viewed at www.xing.com under Investor Relations.

COMPENSATION REPORT

The following compensation report is based on the recommendations of the German Corporate Governance Code and contains information which is part of the notes to the financial statements of management report in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch - HGB) or the International Financial Reporting Standards (IFRS). It is thus an integral part of the certified annual financial statements. Accordingly, the information explained in this report is not additionally detailed in the notes to the financial statements or the management report.

Compensation of the Executive Board

As of December 31, 2008, the Executive Board of the Company consisted of three members. Lars Hinrichs (CEO) was responsible up until his retirement from the board in January 2009 for Corporate Policy, Corporate Strategy, Corporate Communications, Product and Engineering, and Marketing. Eoghan Jennings (CFO) is responsible Accounting, Controlling, and Investor Relations. Burkhard Blum (COO) is responsible for the International division, Mergers & Acquisitions, and Legal Affairs.

The Personnel Committee is responsible for defining the compensation for the Executive Board. Dr. Neil Sunderland and Dr. Eric Archambeau are members serving on the committee. The structure of the compensation system is regularly reviewed by the Supervisory Board in response to a proposal of the Personnel Committee. In line with the German Corporate Governance Code, the compensation of the Executive Board consists of fixed and variable components. The overall compensation and the individual components that constitute this compensation are all in correlation with the responsibilities of the respective member of the Executive Board, their personal contribution, the performance of the Executive Board as a whole and the financial standing of XING AG.

The compensation components which are not performance-related consist of a fixed payment. The variable components of compensation consist of variable emoluments and stock options as compensation components acting as a long-term incentive. They are measured against performance targets which are measured with parameters taken from the consolidated financial statements and are also measured against benchmarks.

An overview of the Executive Board compensation for the 2008 financial year is set out in the following table (respective figures for the previous year are quoted in brackets):

Members of the Executive Board	Fixed salary in € thousand	Variably salary in € thousand	Stock options in € thousand	Total salary in € thousand
Lars Hinrichs	150	25	330	505
Chairman	(150)	(25)	(66)	(241)
	160	50	234	444
Eoghan Jennings	(160)	(0)	(51)	(211)
	200	150	548	898
Burkhard Blum	(180)	(70)	(43)	(293)
	510	225	1,112	1,847
Total	(490)	(95)	(160)	(745)

Lars Hinrichs received an additional variable salary of €25 thousand retrospectively for his contribution between October 2007 and September 2008. Burkhard Blum received an additional, one-off variable salary totaling €30 thousand for his work for the Company between August 2007 and July 2008. In addition, Mr. Blum's fixed salary was increased by €20 thousand from July 1, 2008, onwards. The variable salary for 2008 has been placed at €150 thousand. Eoghan Jennings received an additional, one-off variable salary for the 2007 financial year amounting to €50 thousand.

The stock options for members of the Executive Board were granted in accordance with the conditions laid out for the stock option plans 2006 and 2008 at the shareholder's meetings of XING AG held on November 3, 2006, and May 21, 2008. (For more detailed information about the stock options plans, please see Notes to the IFRS consolidated financial statements, Other disclosures).

The stock options granted to the members of the Executive Board are broken down as follows: As of December 31, 2008, Lars Hinrichs held 17,333 (granted in 2006) and 7,667 (granted in March 2008), Eoghan Jennings 13,481 (granted in 2006) and 6,519 (granted in March 2008) and Burkhard Blum 7,511 (granted in 2006), 8,000 (granted in 2007), 13,479 (granted in March 2008) and 16,000 (granted in September 2008) stock options of the Company. Depending on the length of the lockout period of two to four years, the fair value was between €9.27 and €10.62 per stock option at the point at which the options were granted on December 6, 2006, between €12.67 and €14.45 per stock option at the time at which the options were granted on September 7, 2007, between €14.37 and €16.36 at the time at which the options were granted on March 7, 2008, and between €9.38 and €10.82 at the time at which the options were granted on September 9, 2008.. The total fair value of the stock options which were granted was thus €170 thousand (from 2006) and €160 thousand (from March 2008) for Lars Hinrichs, €135 thousand (from 2006) and €99 thousand (from March 2008) for Eoghan Jennings and €75 thousand (from 2006), €110 thousand (from 2007), €204 thousand (from March 2008) and €159 thousand (from September 2008) for Burkhard Blum.

Premature termination of activity

The existing employment contracts as of December 31, 2008, do not contain any severance payment caps according to the stipulations of the recommendations as stated under 4.2.3 of the German Corporate Governance Code. If the employment contract is not terminated for a compelling reason, the Company was obliged as of December 31, 2008, to continue to pay the salary to the member of the Executive Board Lars Hinrichs, who retired from the board in January 2009, and the member of the Executive Board Burkhard Blum, if that person's position on the executive body is prematurely terminated and is authorized to release the member of the Executive Board from his duty to perform any other activity for the Company. In the case of the member of the Executive Board Mr. Blum, all non-monetary benefits must be allowed to continue if Mr. Blum is exempted from his duties.

If the member of the Executive Board Mr. Blum dies while he is still employed by the Company before reaching retirement age, the Company shall pay 1/12 of his annual basic salary per month to his heirs for a further six months. If Lars Hinrichs, who resigned from the position of Chairman of the Executive Board in January 2008, dies, the Company is also obliged as of December 31, 2008, to pay the respective pro rate fixed annual salary for the month of death and the two following months to his heirs during the term of the Supervisory Board contract.

In the event of a change of control, the Company shall grant the member of the Executive Board Burkhard Blum upon request a cash settlement for the stock options which have not yet become exercisable at the point at which the agreement was terminated.

Supervisory Board

The compensation is fixed by the shareholders' meeting based on a proposal of the Executive Board and Supervisory Board and is detailed accordingly in the Articles of Incorporation.

For every occasion on which they attend a meeting of the Supervisory Board, the members of the Supervisory Board receive compensation of €2 thousand per meeting day (previous year: €2 thousand). The members of committees of the Supervisory Board additionally receive compensation of €1 thousand for each day on which they attend a committee meeting (previous year: €1 thousand).

For each occasion on which he attends a meeting of the Supervisory Board, the Chairman of the Supervisory Board receives compensation of €4 thousand per meeting day (previous year: €4 thousand) and he receives compensation of €3 thousand for each on which he attends a committee meeting (previous year: €3 thousand).

The total compensation of a member of the Supervisory Board for attending Supervisory Board committee meetings must not exceed €75 thousand per member per financial year (previous year: €75). The total compensation of the Chairman of the Supervisory Board must not exceed €150 thousand per financial year (previous year: €150 thousand).

An overview of the Supervisory Board compensation for the 2008 financial year is set out in the following table (respective figures for the previous year are quoted in brackets):

Members of the Supervisory Board	Attendance in Supervisory Board meetings in € thousand	Attendance in committee meetings in € thousand	Total compensation in € thousand
Dr. Neil V. Sunderland (Chairman of the Supervisory Board)	87 (40)	63 (35)	150 (75)
Dr. Eric Archambeau	43 (20)	7 (16)	50 (36)
William Liao	21 (20)	14 (45)	35 (65)
Total	151 (80)	84 (96)	235 (176)

Furthermore, William Liao, member of the Supervisory Board of XING AG up until December 15, 2008, received compensation of €115 thousand (previous year: €100 thousand) for advisory services provided during the course of the 2008 financial year.These figures take into account the waiving of compensation by Supervisory Board members.

Group financial report

for the financial year
from January 1 to December 31, 2008

Business and general conditions

Organizational structure

In the last financial year, the organizational structure of XING AG was expanded in the reporting year as the result of several factors, including the integration of previously acquired competitors into the Company and the acquisition of the largest Turkish business network cember.net. XING AG runs operations of the XING Group.

In January 2008, XING acquired cember.net, the largest network for business contacts in Turkey. This move allowed XING to position itself as the clear market leader in online networking for professionals in the Turkish-speaking world, represented in the major Turkish centers of commerce.

In terms of the number of registered members, XING AG operates one of the world's leading platforms for business networking

At the end of the reporting period, XING AG held 0.5 percent and XING International Holding GmbH 79.5 percent of shares.

On September 23, 2008, XING Switzerland GmbH was founded. This Company is owned fully by XING International Holding GmbH.

In January 2008, XING AG increased its share in openBC China Ltd. from 55 percent to 85 percent. openBC China Ltd. was renamed XING Hong Kong Ltd. in December 2008. At the close of the reporting period, XING AG held an 85 percent majority share in XING Hong Kong Ltd.

Business model and strategy

Business models

Measured by the number of its members, XING AG operates one of the leading platforms in the world for Business Networking. It provides its members with an Internet platform custom designed for their needs. Businesspeople in all industries, from salespeople, IT technicians, communications experts to bankers need an efficient tool for managing their professional contact networks and create real value. XING allows them to find new business contacts and manage existing ones, deepen professional relationships and actively use their business network to expand regional or international business activities, tap into new markets and more.

XING members can choose the level of networking that suits their needs, either free "basic membership" or the more advanced "Premium Membership", which is subject to a monthly fee. Premium subscriptions are charged in advance. "Premium Membership" offers additional features and functions to members on the platform, enabling more active networking, and also provides additional discounts and values on goods and services in "BestOffers". The primary value of this Subscription business model is the low cost of acquiring new members. Most new members to the XING website come via recommendations by existing members, what is known as the "viral" factor of the platform.

Furthermore, XING enables its users to actively plan their own career, an example of which can be found in the XING "Jobs" section. Here job ads are matched with keywords in member profiles to link employment supply and demand.

At the end of Q4/2007, XING AG introduced a third revenue stream alongside Subscriptions and eCommerce (the XING "Jobs" section). Advertising was introduced onto the XING platform, and has generated additional revenues since December 2007. Only "basic members" see these ads.

By the end of Q4 2007, XING AG had secured a third source of revenue to compliment its "Subscriptions" and "eCommerce" segments

From a technical perspective, the XING platform enjoys a considerable degree of scalability. The structure of the platform is conceived in such a manner that new members can be added without a corresponding increase in IT costs, and without loss of overall performance. Making allowances for potential member increases in the future, the Company expanded its server capacities during the reporting period, and created an additional computing center to further minimize risks.

Strategy

The strategy of XING AG is focused on meeting the needs of its members. Each year, over half of all product innovations and new functions are implemented based on members' wishes. Only by maintaining such a clear focus on customers can professional networks such as XING ensure long-term operational success. The reasoning behind this is clear: only by continually supplying members with relevant information at the right time can a network become an established part of daily business life, as XING has for its members. The results of frequent user surveys, increasing membership figures and impressive success stories (http://corporate.xing.com/english/company/success-stories) from members tell us that we are on the right track. Our premise is that when members are particularly satisfied and active on the platform, they will become and remain Premium Members, and as such are prepared to pay a monthly fee for additional functions. In the future, XING AG plans on concentrating a large portion of its resources to build upon existing customer satisfaction levels, by developing new features and services and improving existing ones. An example of this process can be seen in the "Jobs" section. Since its introduction in October 2007, the job portal was improved over the course of 2008. In the latest of these innovations, a rating system was added to improve matching results for users. The highly scalable nature of all three business model and the underlying technical infrastructure enables XING AG to grow profitably. In the future, the Company intends to pursue the three business models implemented to date.

Key locations

The vigorous course of internationalization, including setting up branch offices around Europe was continued during the reporting period. At the end of the year, 65 percent of XING members were based in a foreign country. Acquisitions in Spain and Turkey have allowed XING AG to set up two additional locations, in Barcelona and Istanbul. The Company is also represented in China, with a small office in Beijing. A dedicated team of international specialists monitors and develops other European markets such as Great Britain, Switzerland, Belgium, and Hungary. XING AG also has a branch office in Italy since Q1/2009.

General and Industry-Specific Conditions

General Business Climate

No question about it: 2008 was a year to remember. A crisis which began on the global financial marketplaces soon spread to individual households. By the second half of 2007, investors around the world were nervous. As the real estate lending crisis unfolded in its severity, financial markets felt the disastrous effects. Several major banks and insurance companies were forced to declare bankruptcy in 2008. Stock market prices dropped dramatically. In the last financial year, the Eurozone reported a negative gross domestic product (GDP) growth for the second straight quarter. In Q4/2008, GDP was down 0.5 percent from the previous quarter, which in turn fell 0.2 percent from Q2/2008. Eurostat has declared an official recession for all 15 member states of the European Union.

In the last months of the reporting period, numerous national governments saw the need to take action to calm the crisis. Crisis legislation was passed, in many cases providing immense sums for business and the financial markets. As would be expected, forecasts for Eurozone business growth during the 2009 financial year are modest. In their "Economic Sentiment Indicator Index" published on November 18, 2008, Eurostat once again readjusted its growth forecast downward to reflect a total expected growth of 1.2 percent in the Eurozone for 2009.

Despite the economic unpredictability of the current recession, XING AG does not regard itself as being at risk to any particular fluctuations in figures

Despite the current volatility of the economy and the current recession, XING AG does not predict any particular fluctuations. Indeed, the Company rather expects that the subject of "networking" will be of particular interest in times of crisis, whether it be finding the next job, or generating new business in a tighter market situation. The Company believes active career planning and the maintenance of a personal and professional network to be absolutely mandatory for success in business or professional advance, and this is particularly true in times of economic crisis.

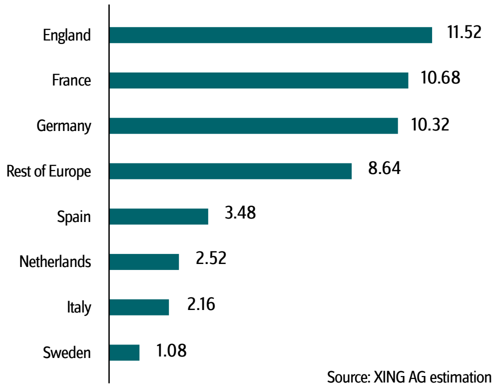
Market Development

It is the belief of the Company that the Social Networking market is one of the fastest growing industries in the world. Of the approximate 380 million Internet users in Europe (http://www.internetworldstats.com), over 41 million were members of Social Networks as of the end of 2007, according to Datamonitor. XING AG believes that this figure increased to roughly 50 million by the end of 2008, and expects the European Social Networking market to continue growing accordingly, at a rate of approximately 20 percent annually.

65%

The number of page impressions increased by more than 65 percent from 2.3 billion in 2007 to 3.8 billion during the reporting period

Members in social networks
in millions



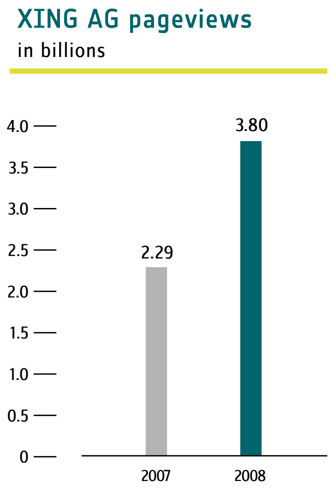
If developments in the previous twelve months are any indication, the Social Networking market will continue its rapid growth, adding millions of potential XING members. At the same time, new applications and synergies within social networks themselves increase the connectivity within a network and between networks, offering members new value and functionality. The continual growth is based on several factors. Firstly, internet users in general are on the rise, and secondly an increasingly large proportion of these users are members of social networks. Finally, the rising number of members in individual social networks multiplies what is known as the "viral effect", in which members invite their friends and acquaintances to join them.

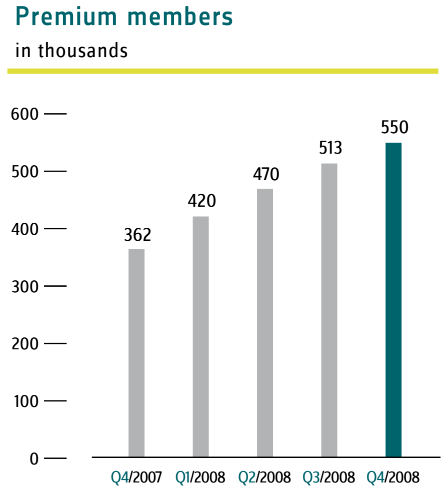
The Company sees its high level of member activity on the platform as a key competitive advantage

On a global scale, the number of Internet users has increased from 1.32 billion at the end of 2007 to 1.5 billion at the end of 2008, according to the Company's estimates. As an increasingly large percentage of Internet users becomes familiar with the characteristics and benefits of social networks, XING AG will profit from the general tendency towards more users in the form of a continually growing target group. In Europe alone, the platform had five million members at the end of the reporting period. The Company estimates that every tenth user of social networks in Europe is already a XING member. Since the member growth of social networks is largely based on personal recommendations or email invitations, an increase in members does not mean a proportionate increase in acquisition costs, making the XING AG business model highly scalable.

Competition

XING AG's key international competitors also showed strong growth in 2008, and focused increasingly on members outside their home markets. As a result of the growth of the market as a whole, however, no market participant was able to achieve dominant market penetration around the world. It is the belief of the Company that the high activity level of XING members continues to give XING AG a considerable advantage vis-a-vis its main competitors. Social networks, in the eyes of the Company, face a particular challenge when addressing "business professionals" as a target group, because professionals have less time than college students or pupils, for example, and thus place more value on efficiency and an interface which allows them rapid access to information and contact data when they need it. The more active members a networking website has, the more value it has for members in finding and getting in touch with the right contact. Furthermore, active members make for more satisfied customers, because they are more likely to react to XING messages and contact requests, and update their profiles more frequently.





In 2008, XING AG was able to considerably increase key metrics over the results of 2007. The number of page views, for example, increased from 2.3 billion in 2007 by more than 65 percent to 3.8 billion in the reporting period. At the end of the reporting period, the Company had 550,000 paying customers. According to estimates by management, no other competitor was able to record a comparable increasing in paying members for this period.

Despite the appearance of several new competitors, including prominent ones owned by publishers, XING's market leadership in Germany was not challenged in 2008. A forsa study conducted with 1,005 managers and specialists confirmed that XING is the clear choice of managers in all regions and ages for business networking in Germany. The study further revealed that 14 percent of all managers in Germany use XING, a figure that is even more revealing considering it amounts to nearly 75 percent of those using social networks at all.

Group Highlights and Business Development

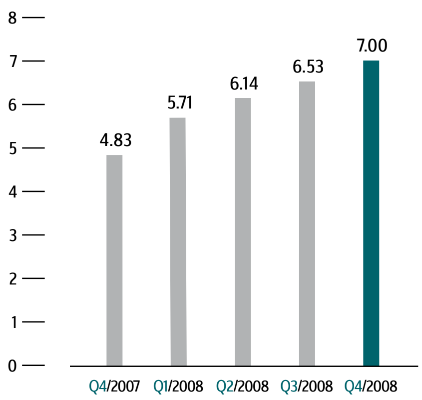
During the reporting period, XING AG was able to seamlessly build upon the successes of previous years. It continued its rapid organic member growth while simultaneously pursuing the strategy of strategic acquisition begun in 2007 by purchasing the Turkish business network cember.net at the beginning of the reporting year. With the migration of cember.net members to the XING platform in July 2008, the Company marked a new milestone: the acquisition and integration of three international competitors within less than 12 months. Since this integration, XING is the leader in business networking in the burgeoning Turkish market.

The acquisition of the Turkish business network cember.net at the beginning of 2007 marks the sustained continuation of the company's acquisition strategy started in 2007

Much more than the previous year, 2008 was marked by numerous smaller projects to improve and expand infrastructure and the xing.com. These projects ensure the continued scalability and performance of the platform in the future. Furthermore, the Company made a series of successful cooperation and partnership agreements. An example of the Company's cooperation can be seen in the release of the Yahoo! Go 3.0 service, which allows mobile Yahoo! users to directly access their XING contacts and network from the Yahoo! mobile site. A second cooperation was released in April 2008, when the platform successfully integrated GoogleMaps content for contact addresses into the website.

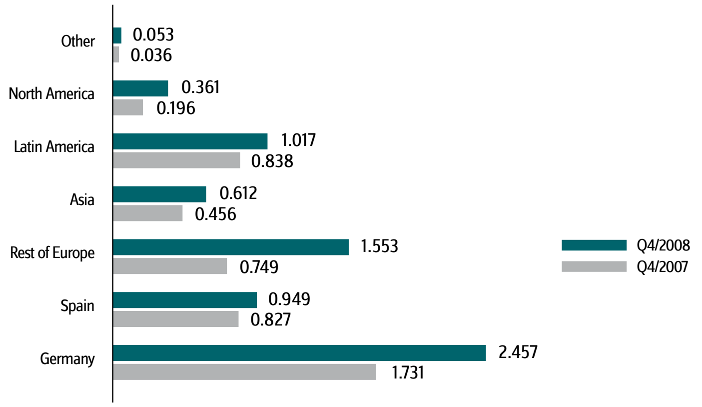
Number of XING AG members

in millions



Member distribution

in millions



Since June 2008, XING offers recent university graduates and students the opportunity to kick off their careers early, and begin setting up a professional network for their future. The XING platform now supports the unique status of students and recent graduates, and gives these nascent professionals the chance to benefit from a XING profile. When the status "recent graduate/student" is selected, the XING profile is modified to focus more on the member's education, which is valuable to those just starting their career.

The previous twelve months were not only dedicated to implementing new functions and services, however: the Company was also active in fundamentally revising and expanding existing functions and services. One of these product improvements is the new matching system for job postings. Released in September 2008, this product innovation gives members more control of the job recommendations displayed on their start page.

More than half a million users have actively chosen to use the advanced functionalities of Premium Membership

In September as well, XING AG reached a new benchmark of 500,000 paying members. It is a testament to the enduring value of the social network that over half a million members are willing to pay for the advanced functionalities of a Premium Membership.

Reacting to market instabilities on November 10, 2008, XING AG management announced it was exercising the share buyback option, sending a clear signal of trust to the financial markets. By the end of the reporting period, XING AG had purchased 80,954 shares of its capital stock at an average price of €25.69.

Just a few weeks later, the Company announced that the Founder and CEO Lars Hinrichs was stepping down on January 15, 2009, and would hand over control of the Company to Dr. Stefan Gross-Selbeck. After Supervisory Board Member William Liao resigned on December 15, 2008, Lars Hinrichs was appointed to replace him on January 16, 2008.

A final highlight came at the end of the year, when the Company made its fourth acquisition, capping off an extremely successful year. In February 2009, XING AG acquired the American company Socialmedian Inc., and with it the expertise for integrating custom-filtered news into social networks, giving XING a decided advantage over the competition.

Development of Membership Figures

The reporting year 2008 was a year of milestones. Not only did the Company reach half a million paying members, XING AG also accelerated membership growth of basic members. The acquisition of the leading Turkish business network, cember.net, in January 2008, coupled with strong organic growth throughout the reporting period has led XING to increase its member base by approximately 2.2 million members in the past 12 months. At the end of the year, the platform numbered over seven million members.

Results of operations of the XING Group

Overview

In the 2008 financial year, XING AG generated service revenues services of €34.9 million, up from €19.0 million in the 2007 financial year. This is equivalent to growth of 83.7 percent on a financial year basis between 2007 and 2008. Revenues of 10.0 million were reported in the final quarter of the year.

As in 2007, XING AG once again increased its revenues and continued on its highly profitable course of growth during the financial year 2008

Just as in 2007, XING was able to significantly increase revenues again in the 2008 financial year and to continue its highly profitably course of growth. Accordingly, operating result EBITDA in the reporting period was around €12.9 million (after an adjustment for one-time special operational expenditures of €0.8 million; previous year: €6.9 million). This is equivalent to an EBITDA margin of 36.7 percent (+1.5 percentage points in comparison to 2007). In the previous year, the EBITDA included €0.64 million from discontinued operations.

At €7.3 million, the consolidated result was €2.8 million (=62.2 percent) higher than in the previous year (€4.5 million) while the previous year's results include a €1.1 million loss from discontinued operations.

In the following, the results of operations of the Group, as shown in the current IFRS consolidated financial statements for the period ending December 31, 2008, are explained in greater detail and analyzed. The net assets and financial position are also considered in the course of this management report.

Service revenues

In the 2008 calendar year, XING AG generated service revenues of €34,904 thousand (previous year: €19.047 thousand). The following overview breaks down the sales generated by services of XING:

Service Revenues in € thousand	12/31/2008	12/31/2007
Premium Membership (incl. Premium-Groups)	28,108	17,838
eCommerce	3,964	374
Advertising	2,429	750
BestOffers (previously Premium World)	344	22
Other	59	63
Total	34,904	19,047

In 2008 revenues at XING from products other than "Premium Membership" experienced an above-average increase, reaching 19.5 percent (previous year: 6,3 percent). Broken down according to geographic region, Premium Membership revenues in the financial year 2008 are as follows:

Revenues by Premium Membership in € thousand	12/31/2008	12/31/2007
Germany	22,894	14,593
Rest of Europe	4,598	2,758
America	362	309
Asia	225	165
Other	29	13
Total	28,108	17,838

Accordingly, similar to the situation in the previous year, most of the revenues by Premium Membership were generated in Germany (81 percent in 2008 compared to 82 percent in 2007).

Other operating income

The other operating income of €370 thousand in the period under review (previous year: €562 thousand) mainly comprises income from currency conversions totaling €113 thousand (previous year: €18 thousand) as well as various smaller items.

Personnel expenses

As a result of the continued strong growth in 2008, the Company has hired additional employees. During the period under review, the Company employed an average of 145 persons (previous year: 101). As of December 31, 2008, a total of 174 persons were working for XING AG (previous year: 109), three of which were members of the Executive Board (previous year: 3). In 2007, the Company recruited staff in particular in the field of conceptual and technical development of the website and also in the field of market development. As a result of the acquisition of cember.net in 2008, six additional employees joined the Company (as of December 31, 2008).

An increase in the number of employees has resulted in a rise in personnel expenses from €4,884 thousand in the previous year to €8,807 thousand

The increase in personnel expenses from €4,884 thousand in 2007 to €8,807 thousand in 2008 is almost exclusively due to the increase in the number of employees (+ 60 percent in comparison to December 31, 2007).

Marketing expenses

The marketing expenses which were incurred in 2008 were related to partner, customer and new customer marketing and the expansion of the marketing infrastructure and was significantly expanded in 2008. Whereas expenses in 2007 amounted to €1,651 thousand, they increased to €4,375 thousand during the reporting period for the reasons mentioned above.

Other operating expenses

The other operating expenses in the financial year 2008 amounted to €9,896 thousand (previous year: €6,162 thousand) and amounted to 28 percent (previous year: 31 percent) of total revenues. The expenses mainly consist of IT and other services totaling €2,790 thousand (previous year: €1,557 thousand), legal, consulting and accounting expenses of €2,112 thousand (previous year: €1,027 thousand), and expenses for server hosting, administration and traffic of €1,517 thousand (previous year: €1,060 thousand).

Depreciation

This item comprises the depreciation on intangible assets and property, plant and equipment. In total, depreciation of €2,426 thousand was recognized, compared with €2,179 thousand in the previous year. At €860 thousand (previous year: €1,374 thousand), depreciation on the further optimized, self-developed software was the largest item. In addition, investments in acquired software resulted in a further increase in depreciation of €438 thousand (previous year: €138 thousand). The remaining items mainly relate to other intangible assets of €408 thousand (previous year: €159) and to property, plant and equipment of €720 thousand (previous year: €508 thousand).

Financial income and financial expenses

The generated financial income of €1,185 thousand in 2008 is mainly attributable to the choice of short-term, risk-free and high-yield investments (previous year: €1,393 thousand).

On average, main investments during the period in the securities DB Platinum IV Corporate Cash and DWS Institutional Money plus generated between 3.79 percent (plus a tax-free content) and 4.39 percent during the calendar year 2008. Financial expenses of €20 thousand (previous year: €49 thousand) were incurred as interest in the financial year 2008.

Income from taxes

Taxes on the result of ordinary operations comprise the current tax expenses and also the deferred tax expenses. The current taxes are determined by the companies of the XING Group in accordance with national tax law applicable in the country of their registered office.

As of December 31, 2008, the tax assets on existing loss carried forward are completely expended in Germany. In Spain there are tax losses carried forward to around €1.2 million (previous year: approx. €3.7 million in Germany; approx. €1.5 million in Spain). In Spain, tax losses can be carried forward and applied as assets for 15 years.

Course of business in the "Subscriptions" division

Since the Company began operations, Premium Memberships have driven revenues and profits, providing XING members for a monthly fee additional functions for enhanced use of the platform. In 2008, the Company was pleased to welcome an additional 188,000 new Premium Members, thereby considerably exceeding the previous year's paying member growth figures. At the end of 2008, approximately 550 thousand members chose to pay for the additional functions of a XING Premium Membership. This positive development was reflected in Company revenues for the "Subscriptions" business division. After earning €17.84 million in revenues in 2007, XING AG boosted 2008 earnings by 58 percent to €28.11 million. Since supplementing its business model by the addition of the business divisions "Jobs" and "Advertising", total revenues are no longer dependent on Premium Memberships alone.

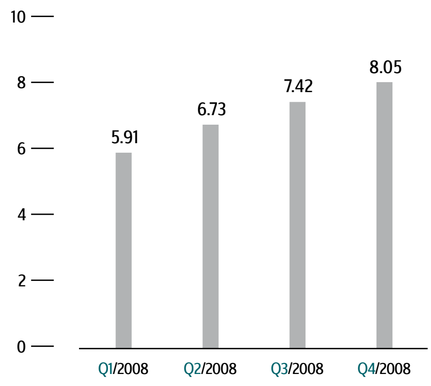
XING members clicked almost 11 million times on the advertised job vacancies on the platform within the first 12 months after the launch of the Jobs portal

Course of business in the "eCommerce" division

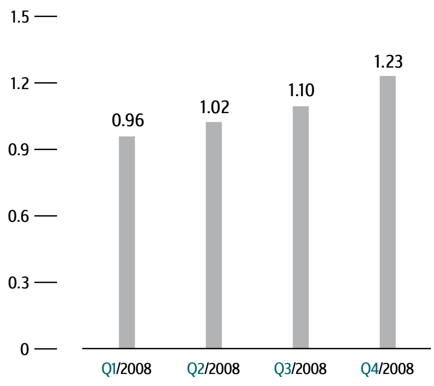
The second source of revenues for the XING Group, the "Jobs" business division, had its first full 12 months of operation in 2008. Introduced in October 2007, the "Jobs" division generated revenues based on the posting of employment advertisements by companies, and features a performance-based "click" billing model. In the view of the Company, job postings on XING create substantial added value for HR representatives and recruiters, because by posting jobs on XING, companies can get the attention of a wider pool of candidates than standard Internet job sites.

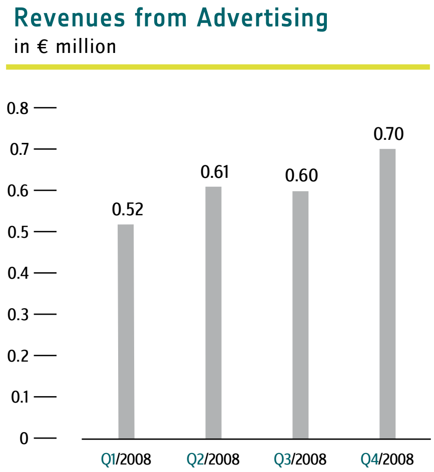
Additionally, by introducing its Jobs portal, XING has created additional value for its over seven million Premium and Basic members. Using the feature, they can actively manage their career even when not actively looking for a job. XING Jobs combines the benefits of social networking with employment advertisements, allowing users to recommend jobs and receive recommendations and view the "person behind the job". Furthermore, members can choose to have current job listings that match their profile or recent ratings displayed on their XING start page, and can proactively get in touch with potential employers or recruiters, or apply directly. Already in the first year of operations, XING members clicked on XING Jobs approximately 11 million times. Together with XING BestOffers, in which companies can market their products and services on the XING.com website, Company revenues for the "eCommerce" division totaled €4.31 million in 2008.

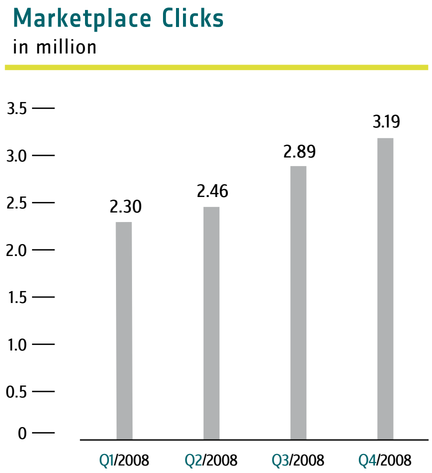
Revenues from Subscriptions
in € million



Revenues from eCommerce
in € million







Course of business for the "Advertising" business division

Many Internet platforms are financed largely by advertising revenues. XING AG opened parts of the XING.com platform to advertisers in Q4/2007. Advertising is now shown only to basic members. In the first financial year after this third source of revenue was implemented, the Company earned seven percent of total revenues from advertising, amounting to €2.4 million.

The company has boosted the size of its development team in Hamburg significantly, to ensure the upcoming challenges and growing workload of the future are met

Innovations/Research and development

The XING AG Product Development and Engineering departments have the goal of continuing to boost the number of members while simultaneously supporting the growth-oriented business strategy on the XING.com platform. During the reporting period, we focused on the following areas of activity:

- Integrating the social networks Neurona and cember.net into XING.com, including both networks and all users. This process went according to plans, and was technically and contextually a big success.
- Relaunch of the Event function, which is now implemented on Ruby on Rails, boosting the speed of development.
- Developing the network newsfeed for the start page. This improvement has considerably increased member activity and viral growth of the platform.
- The integration of a new full text search box into the platform, allowing members to search for individuals and group articles
- Implementing a greatly simplified registration process.
- Creating a mass interface for large clients on XING Jobs
- Implementing a member ratings system into XING Jobs which allows us to match members with even more appropriate jobs
- Carrying out search engine optimization measures for XING Jobs and implementing campaign capabilities for Spain and Italy

- Introducing a status message functionality on user profiles
- Implementing enhanced profile capabilities to support recent graduates and students, critical for addressing young professionals
- Carrying out additional SEO measures to ensure XING profiles are found in Internet search engines
- Launching a new Address Book plugin
- Embedding an innovative Google map into member profiles to allow members to see where their contacts are locate around the world
- Expanding site architecture to support the Opensocial API standard
- Implementing various smaller developments to expand revenue-producing features on the platform

Furthermore, XING invested in expansionary measures to the IT architecture, ensuring that the platform will continue to be able to meet the demands of an ever increasing number of members, and ensure quality of service and performance. The server project, which divides IT infrastructure across several computing sites to minimize downtime risk, has been completed. Furthermore, the Company implemented a series of measures to optimize the performance and stability of the xing.com platform.

To ensure continued operations and further develop the platform, XING uses the innovative web development framework Ruby on Rails alongside the Perl coding language also used on the xing.com platform. XING has become one of the leading employers of Ruby on Rails developers, giving back to the Rails community by sponsoring events and making professional contributions. The Company has considerably bolstered its development team in Hamburg to meet increasing demands now and in the future. Furthermore, the Company is setting up a development site in Barcelona, and has professionalized the product development cycle by setting up project management and quality assurance teams, and implemented agile software development processes.

Employees and non-financial indicators of performance

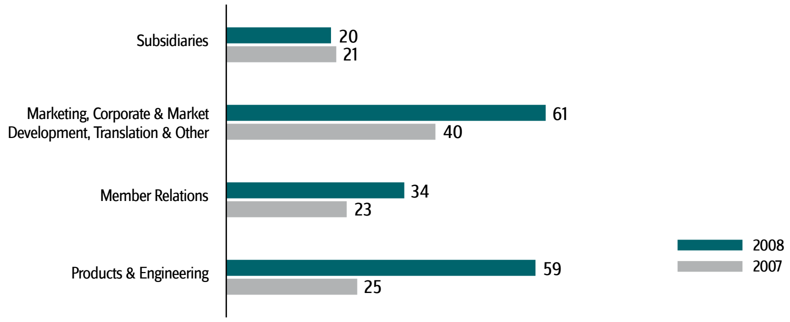
By hiring experienced managers, the Company can significantly boost its growth rate and productivity levels

The year 2008 was marked by immense employee growth. At the end of the year, 174 people were employed at the XING Group around the world. The process of finding and selecting qualified candidates, and of then hiring and integrating these new employees into daily operations, was a formidable task for all divisions in the Company. At present, there are 154 employees from 21 countries working at Headquarters in Hamburg. This human capital allows XING to approach the international member base in a qualified manner, and to offer competent customer service in a number of languages.

After acquiring the Spanish companies eConozco and Neurona, XING opened its first Spanish office in Barcelona. At the end of 2008, six full-time employees operated the Barcelona office. The purchase of cember.net also added six new names to the Company's employee rosters, working in XING Turkey office in Istanbul. At the end of 2008, XING China in Beijing had six employees as well. Two additional employees were hired for a subsidiary Company in Switzerland.

Besides direct employment ads on the XING.com website and employees' personal networks, XING increasingly cooperated with recruitment companies in 2008 to meet the Company's needs for new staff. By hiring experienced managers, the Company has been able to make rapid leaps in productivity and speed of member growth. For existing employees, the experienced new recruits offer new perspectives. The entry-

Distribution of employees in the XING Group



level "Junior" positions, in particular, allow employees to improve their professional skills and abilities during their daily work. This "direct learning" cannot be replaced by mere seminars and professional training courses alone.

This immense growth in employees also presented XING AG with a logistical challenge, as the existing space at Gaensemarkt in Hamburg was not sufficient to handle the increased volume. For this reason, the Company began expanding the office space in 2008, and as of 2009 leased three additional floors in the neighboring building, which was being renovated at the same time. XING now has office space of approximately 3,000 square meters, giving the Company strategic room to grow in Hamburg, in a literal sense.

With office space spanning approximately 3,000 square meters, XING AG now has ample space and capacities for additional new employees as the company grows further

Simultaneous to the spatial renovation, the Company underwent an organizational reworking. In 2008, XING reorganized its existing corporate structure, which had expanded over time with the Company. The organizational structure was brought up to a new standard of professionalism. A B2B division was added during Q3 and Q4, and populated with qualified professionals. XING had the good fortune to recruit Davide Villa as to manage the new division as Senior Vice President B2B. Mr. Villa has years of sales experience to bring to the XING team, and is personally involved in the setting up of the new business division.

During the reporting period, employee motivation and satisfaction continued to be a central focus of the Human Resources team at XING AG. The current financial crisis has even hit the fast-paced Internet industry. Employee satisfaction thus became more relevant for XING AG in 2008. For that reason, the Company organized meal tickets for all full-time employees in Hamburg, financed to a large part by XING.

Remuneration report

The remuneration report details the amount and structure of Executive Board earnings, and sums up the basis for remuneration of the XING AG Executive Board. It also contains information on the principles and amount of Supervisory Board remuneration. Furthermore, the remuneration report provides information on share holdings by the Executive and Supervisory Boards. Because the remuneration report is based on the recommendations of the German Corporate Governance Code and contains information as per Section 315 (2) line 4 of the German Commercial Code, the complete report can be found in the "Corporate Governance" section, and is also part of this report.

Acquisition activities as per Section 315 (4) of the German Commercial Code (HGB), and explanatory report by the Executive Board as per Section 120 (3) line 2 of the German Companies Act (AktG)

The following declarations according to Section 315 (4) of the HGB reflect the figures indicated on the closing date. The following declaration also meets the requirements for an explanatory report as per Section 120 (3) line 2 of the AktG.

Subscribed Capital

The Company has subscribed capital in the amount of €5,201,700 divided into 5,201,700 registered non-par value individual share certificates, each granting the bearer equitable rights, in particular equitable voting rights. Each share certificate accords its bearer one vote in the Annual General Meeting. Excepted from this count are 80,954 shares owned by the Company, which do not afford the Company any rights. The rights and obligations associated with the shares individually arise from the provisions of the German Companies Act, specifically from Sections 12, 53a ff., 118 ff. and 186 of the AktG. There are no discriminative share categories.

Limitations upon voting rights or the transfer of shares

The Executive Board is not aware of limitations which would affect voting rights or the transfer of shares.

Participation in the Company's capital which exceeds 10 percent of voting rights

The Company is aware of a participation by the LH Cinco Capital GmbH, Hamburg, whose sole partner is Founder and former CEO of the Company Lars Hinrichs, which amounted to 27.69 percent (previous year: 27.66 percent) of the Company's capital and voting rights as of December 31, 2008.

There is no other information to report or declaration to be made as per Paragraphs 21 f. of the German Securities Trading Act involving indirect or direct shareholder participation of more than 10 percent of the capital and voting rights of the Company.

Appointment and dismissal of Executive Board members/Change in board composition

Appointment and dismissal of Executive Board members follows Paragraphs 84 and 85 of the AktGand Article 7 in the Articles of Incorporation in the May 28, 2008 version. As per Article 7, Para. 1 of the Articles of Incorporation The Supervisory Board will determine the number of Executive Board members. The Articles of Incorporation contain no special provisions for appointing or dismissing individual Board members or the entire Board. Appointing and dismissing Board members is the responsibility of the Supervisory Board.

Changes to the Articles of Incorporation are to be made in accordance with Paragraphs 179 and 133 of the Companies Act. The Articles of Incorporation do not make further stipulations as to how modifications to the Articles must be made. Resolutions at the Annual General Meeting are passed by a simple majority of votes made, except when this practice is in violation of law. In cases where the law requires a capital majority instead of a majority of votes, resolutions are passed with the simple majority of authorized capital present at the time of the resolution. As per Articles 5.3 to 5.6 and 18 of the Articles of Incorporation in the most recent version from May 28, 2008, the Supervisory Board is permitted to make modifications to the Articles of Incorporation which only affect composition of the Boards.

Rights of the Executive Board to issue and buy back shares

The right of the Executive Board of the Company to issue or buy back shares rests solely on corresponding authorization resolutions passed by the Annual General Meeting which will be represented below.

Authorized capital 2006

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital in full or in part and on one or more occasions by a total of up to €1,925,850.00 by issuing up to 1,925,850 new registered shares against cash and/or non-cash contributions (Authorized Capital 2006). In the case of a capital increase against cash contributions, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude peak amounts from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that it is necessary to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the Company or subordinate Group companies in Germany or abroad can be granted new subscription rights for new shares to the extent that they would be entitled if they exercised their options or conversion rights or the Company met its conversion obligations. The Executive Board is also authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders if the issue amount of the new shares, in accordance with Sections 201 (1) and (2), 186 (3) sentence 4 AktG, is not significantly lower than the market price of the already listed shares of the same category and rights at the point in which the issued amount is definitively fixed by the Executive Board and if the shares issued in accordance with 186 (3) sentence 4 AktG in total do not exceed 10 percent of the share capital existing at the time in which the authorization is registered, or – if lower – the share capital existing at the point in which the new shares are issued. Included in this limitation are shares which have been sold or issued with the exclusion of subscription rights as the result of other authorizations in direct or in corresponding application of 186 (3) sentence 4 AktG. The subscription right of shareholders is excluded in the case of capital increases in return for non-cash contributions and in particular in conjunction with the acquisition of companies or equity participations or assets. The Executive Board is authorized, with the approval of the Supervisory Board, to define the further contents of the share rights and the conditions of the equity issue.

The Executive Board has so far not taken advantage of this authorization, which has been granted to it.

Authorized capital 2008

The Executive Board is also authorized, with the approval of the Supervisory Board, to increase the share capital in full or part and on one or more occasions by a total of up to €675,000.00 by issuing up to 675,000 new no-par registered shares against cash and/or non-cash contributions (authorized capital 2008). In the case of a capital increase against cash contributions, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude peak amounts from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that it is necessary to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the Company or subordinate Group companies in Germany or abroad can be granted new subscription rights for new shares to the extent that they would be entitled if they exercised their options or conversion rights or the Company met its conversion obligations.

The Executive Board is also authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders if the issue amount of the new shares, in accordance with Sections 201 (1) and (2), 186 (3) sentence 4 AktG, is not significantly lower than the market price of the already listed shares of the same category and rights at the point in which the issued amount is definitively fixed by the Executive Board and if the shares issued in accordance with 186 (3) sentence 4 AktG in total do not exceed 10 percent of the share capital existing at the time in which the authorization is registered, or – if lower – the share capital existing at the point in which the new shares are issued. Included in this limitation are shares which have been sold or issued with the exclusion of subscription rights as the result of other authorizations in direct or in corresponding application of 186 (3) sentence 4 AktG.

The subscription right of shareholders is excluded in the case of capital increases in return for non-cash contributions and in particular in conjunction with the acquisition of companies or equity participations or assets. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to define the further contents of the share rights and the conditions of the equity issue.

The Executive Board has so far not taken advantage of this authorization, which has been granted to it.

Contingent capital I 2006

Pursuant to resolution of the Annual General Meeting of November 3, 2006, the share capital of the Company is contingently increased by €288,822.00 by issuing up to 288,822 new no-par value shares (contingent capital I 2006). The contingent capital I 2006 serves to ensure that the Company can satisfy subscription rights arising from stock options issued by the Company as part of the 2006 Stock option plan in the period until October 31, 2011 on the basis of the authorization granted at the Annual General Meeting on November 3, 2006. The contingent capital increase will only be implemented to the extent that stock options are issued, the holders of these stock options exercise their subscription rights for shares of the Company, and the Company does not offer to satisfy the subscription rights with treasury stocks or a cash settlement. The shares are issued out of the contingent capital at the strike price defined in accordance with c) (e) of Agenda item 6 of the Annual General Meeting on November 3, 2006. The new shares participate in the profits from the beginning of the financial year in which no resolution has yet been made at the Annual General Meeting regarding the appropriation of cumulative profit at the time the subscription right is exercised.

As of December 31, 2007 the Executive Board has issued a total of 211,795 stock options to employees and senior executives.

Contingent capital II 2006

Pursuant to resolution of the Annual General Meeting of November 3, 2006, the share capital of the Company was contingently increased by €1,540,680.00 by issuing up to 1,540,680 new no-par value shares (contingent capital II 2006). Contingent capital II 2006 serves exclusively to ensure that new shares can be issued to the holders of options or conversion rights granted by the Company or companies in which the Company holds a majority interest, either directly or indirectly, under the authorization resolution adopted by the Annual General Meeting of November 3, 2006 under Agenda item 7 (a). The new shares will be issued at the conversion or option price to be determined in accordance with this resolution. The contingent capital increase will only be implemented to the extent that the holders of the conversion or option rights take advantage of their conversion or option rights or comply with the conversion obligations arising from such debt instruments. Provided that they are created before the start of the Annual General Meeting, the shares will participate in profit from the beginning of the preceding financial year. Otherwise they will participate in profit from the start of the financial year in which they are created.

Contingent capital 2008

The share capital of the Company was contingently increased by €231,348.00 by issuing up to 231,348 new no-par value shares (Contingent capital 2008). Contingent capital 2008 serves exclusively to ensure that new shares can be issued to the holders of options or conversion rights granted by the Company or companies in which the Company holds a majority interest, either directly or indirectly, under the authorization resolution adopted by the Annual General Meeting of May 21, 2008.

The contingent capital increase will only be implemented to the extent that holders of conversion or options rights can exercise these rights. Provided that they are created before the start of the Annual General Meeting, the shares will participate in profit from the beginning of the preceding financial year. Otherwise they will participate in profit from the start of the financial year in which they are created.

Authorization to purchase treasury stocks

Pursuant to resolution of the Annual General Meeting on May 21, 2008, the Executive Board was authorized to purchase treasury stocks as follows:

a) Authorization to purchase treasury stocks
   The Executive Board is authorized to purchase treasury stocks until November 20, 2009 up to a total of not more than 10 percent of the existing share capital at the time the resolution is passed. The total treasury stocks owned by the Company or attributable to the Company as per section 71 (1) (a) ff. AktG may not exceed 10 percent of the share capital at any time. This authorization may not be abused for the purpose of trading in treasury stocks.

   This approval may be exercised in whole or part, once or more, in pursuit of one or multiple aims by the Company or companies in which the Company holds a majority interest, or on behalf of the these companies or on behalf of third parties acting for the Company.

b) Type of purchase
   At the discretion of the Executive Board, the shares are to be (1) purchased on the stock exchange, or (2) purchased from shareholders by means of an public offer directed at all shareholders and requesting sale prices.

   (1) If the shares are acquired via the stock exchange, the consideration per share (excluding ancillary purchase costs) to be paid by the Company must not differ by more than ten percent from the average opening price in XETRA trading (or a functionally equivalent successor system to XETRA) on the Frankfurt/Main exchange on the date of exercise.

(2) If the shares are acquired by way of an offer directed to all shareholders of the Company or by way of a public request for sales offers made to all shareholders,

- the posted purchase price per share for a public offer to buy directed to all shareholders (excluding ancillary purchase costs), or

- the values of the price spread set by the Company for a request for sell bids directed to all shareholders

- may not differ by more than ten percent from the average closing price of the shares of the Company in XETRA trading (or in a functionally equivalent successor system to XETRA) on the Frankfurt/Main exchange for the five market days before the public announcement of the public offer to buy or the public request for sell bids is issued by the Company.

  If share price changes considerably after publication of the public offer to buy directed to all shareholders or after a public request to submit an offer is directed to all shareholders, the offer to buy or request to submit an offer can be adjusted. In this case, the price will be adjusted to match the closing price of the Company's shares on the XETRA trading system (or in a functionally equivalent successor system to XETRA) on the Frankfurt/Main exchange for the five market days before the public announcement was made.

  If the entire acceptance of this offer exceeds the desired purchase volume, the acceptance must be scaled down to reflect the actual number of shares offered. In the event that a public request for sales offers directed to all shareholders is met with several equivalent offers, all of which cannot be accepted in full, the offers will then be proportionately accepted until completion of the desired purchase volume.

  Preferential treatment of small quantities (up to 100 shares per shareholder of the Company) can be provided for.

  The aforementioned public offer to buy directed to all shareholders or public request to submit an offer directed to all shareholders may be subject to additional conditions.

c) Use of treasury stocks
The Executive Board is authorized, with the approval of the Supervisory Board, to use treasury stocks acquired in the manner described above for all purposes permitted by law, in particular for the following purposes:

(1) Treasury stocks may be retired without such retirement or the performance of the retirement requiring a further resolution of the Annual General Meeting. The shares can also be retired in such a way that the share capital is not changed, by increasing the proportional value of all remaining shares in relation to the share capital of the Company. The Executive Board is authorized to change the number of shares noted in the Articles of Incorporation to reflect the current share figure after the retirement.

(2) The shares can also be divested in a differing manner from a stock exchange sale or following an offer to sell directed to all shareholders, if the purchase price in cash is not substantially less than the selling price on the stock exchange for equitable shares already in trading. The number of shares which are sold in this way, together with the number of new shares which are issued out of authorized capital under exclusion of subscription rights as a result of simultaneously existing authorization in accordance with 186 (3) sentence 4 AktG, and the number of shares that could possibly result from the exercising of options and/or convertible bonds under exclusion of subscription rights during the term of this authorization in accordance with 186 (3) sentence 4 AktG must not exceed ten percent of the share capital of the Company.

(3) The shares may be divested against payment in kind, in particular in connection with the acquisition of companies, interests in companies or participation in companies, as well as mergers of companies.

All of the above authorizations may be used once or several times, in their entirety or in parts, individually or collectively. The authorizations under (2) and (3) can also be granted to dependent companies or majority-owned companies of the Company, on behalf of such companies or via such companies, or on behalf of third parties acting on the part of the Company.

Subscription rights of shareholders of treasury stocks acquired as a result of this authorization is excluded to the extent that the shares are used for the purposes set out above in (2) and (3).

Compensation agreements between the Company and members of the Executive Board or employees in the event of a takeover bid

At his request, XING AG guarantees to grant Executive Board member Burkhard Blum a cash settlement for the stock options which become non-exercisable in the event of a change of ownership of the Company, resulting from the requirement to transfer inherent in a takeover bid (change of control).

Other declarations

All other declarations pursuant to section 315(4) HGB, relate to conditions not existent at XING AG.There are no shareholders with shares granting special rights of control, no voting rights limitations due to employees participating in the Company's capital, nor major agreements which are conditional to a change of control resulting from a takeover bid.

Net assets

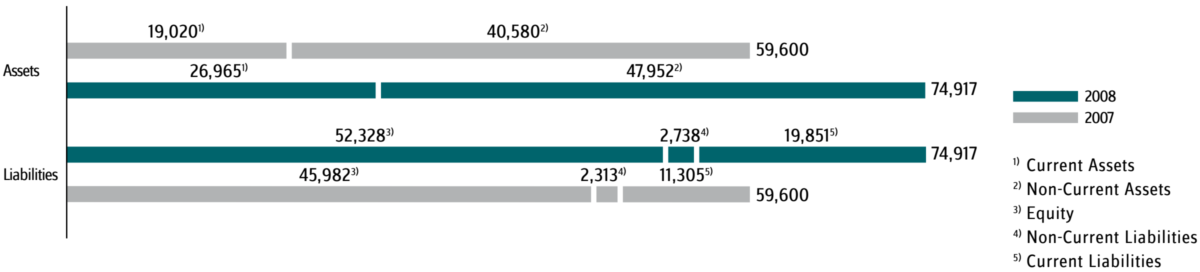
As of the balance sheet date December 31, 2008, liquid assets accounted for 57.3 percent (previous year: 63.5 percent) of the net assets of the Group (€42,922 thousand) with a balance sheet total of €74,917 thousand. The development in liquid assets from €37,844 thousand as of December 31, 2007 to €42,922 thousand as of December 31, 2008 is mainly due to the positive annual net profit and thus the increase in the payment of revenues.

Both long-term and short-term assets have increased. The portion of long-term assets in the balance sheet total has risen to 36.0 percent, which is a 4.1 percent increase from the previous year (31.9 percent). The portion of the short-term assets has decreased accordingly to 64.0 percent (previous year: 68.1 percent).

The increase in long-term assets (€+7.9 million; previous year: €+14.3 million) is due to intangible assets. Investment was made in particular in acquired and self-developed software (€+5.3 million, previous year: €+1.1 million), mainly in the further development of the XING platform and the connection to an external billing system. The goodwill rose by €4.5 million, primarily as a result of the acquisition of cember.net in Turkey.

Receivables for services of €3,345 thousand (previous year: €2,121 thousand) consist mainly of receivables from member subscriptions from Premium Members. The increase in receivables is developing proportionally to the growth in revenues. The remaining assets consist primarily of deferred advance payments for services.

Balance sheet structure



Financial position

Shareholders' equity and liabilities

Since being initially established, XING has financed its operations almost exclusively out of equity and the prepaid member subscriptions of its Premium Members.

As in the previous year, XING AG did not lease any new IT hardware or software in 2008 and there were no bank borrowings or other loans.

The equity ratio was 70 percent in the last financial year compared to 77 percent in 2007. This means that XING AG continues to be in an excellent position to cope with future growth.

The long-term assets are covered up to 194.1 percent (previous year 241.8 percent) by equity. The surplus of the short-term assets over the short-term liabilities is 241.6 percent (previous year: 359.0 percent). The development of the surpluses shows that XING is increasingly investing available equity into long-term assets.

Cashflow from operating activities

In the financial year 2008, cashflow from operating activities amounted to €17,731 thousand compared with €8,863 thousand in the financial year 2007. In addition to the Group profit, prepaid member subscriptions (increase of €3,386 thousand in the deferred income) and the trade payables that increased at an above-average rate in comparison to the previous year accounted in particular for this significantly higher inflow of operational funds.

Cashflow from investing operations

The main investments in the financial year 2008 were the acquisition of a competitor in Turkey and self-developed and acquired software. In particular, the investment in the acquisition of software was significantly higher (€2,598 thousand; previous year: €147 thousand).

Spending for the acquisition of property, plant and equipment, mainly relating to IT hardware (e.g. servers), was reported as slightly lower at €1,498 thousand compared with €1,857 thousand the previous year.

Investments in other financial assets related to the interest in the company "Kennst Du Einen" with €24 thousand. In the previous year, investments in other financial assets totalling €106 thousand can be primarily attributed to the shareholding in Plazes AG (€100 thousand).

Cashflow from financing operations

During the financial year 2008, significant outflows from financing operations occurred through the share buyback of €2,092 thousand. Apart from that, the cashflow from financing operations remained at a low level and almost unchanged with respect to the previous year (€[297] thousand; previous year: €[202] thousand).

Overall statement on the economic position

The very positive revenue development and successfully achieving and even slightly surpassing the predictions for the financial year demonstrate that the scalability effects achieved in the previous year are continuing to expand. With an equity ratio of approximately 70 percent as of December 31, 2008, XING is largely financed through equity, meaning that even potentially negative developments can be overcome with no major losses.

The cashflow margin (cashflow from operating activities/service revenues) of over 51 percent (previous year: 47 percent) is at a high level and could be increased even further. This demonstrates the intrinsic value of the Company over several years and permits further growth-related investments.

Risk report

Permanent monitoring and management of risks is one of the key tasks of a listed company. For this purpose, the Company has implemented an early risk detection system required by section 91 (2) AktG, and continually makes updates and improvements within the context of current market and company developments. The auditors of the consolidated financial statements confirmed the functionality of this system, as the auditors did in the previous year as well.

Principles of risk management

Each individual employee is called on to actively look for and prevent potential damages to the Company. His task is to immediately remove all risks in his own area of responsibility and to immediately notify the responsible parties in the event of any indications of existing risks or risks that may arise. An essential requirement for such a task is knowledge of the risk managment system and maximum risk awareness of employees. Accordingly, employees are familiarized with the risk management system in regular introductory events and using informational material, 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 probabilty of occurrence and the expected potential damage. A comprehensive risk inventory was carried out in 2007; existing risks were examined and where appropriate, reassessed, and new potential risks were identified. Since the beginning of 2008, the Company has carried out a risk inventory at least every two months during a management meeting.

Strategic risks

International expansion

XING AG wishes to continue to achieve international growth. As part of this expansion strategy, XING AG acquired a Turkish online business network in 2008. The acquisition of online contact network contains the general risk that the migration potential of the acquired platforms prove to be significantly less than originally anticipated, in other words, fewer members can be integrated into XING than planned. The success of an investment in acquiring an online contact network is measured on the number of members to be successfully integrated into the acquiring platform, i.e., the XING platform.

To ensure the success of acquisitions, XING has carefully planned such migrations, and has an internationally experienced team of employees to support the members of acquired networks. Comprehensive measures for activating members of acquired networks are of particular value in this migration process.

Payables and receivables management

Because the failure of members to pay would lead to loss in revenues, the efficient billing of fees and the entire receivables management process are of crucial importance for the Company. XING continually analyzes and optimizes the corresponding internal and external processes. The legal form of the corresponding partnerships with external service providers minimizes the risks the Company is exposed to through the integration with such service providers. Contracts with such service providers are constructed such as to minimize the reliance on external service providers, to ensure the necessary service standards are met, and that the risk of technical failures is minimized.

Market and sales risks

XING AG competes with companies who offer similar services. New competitors may also arrive on the market in future. If XING AG loses customers to these competitors, loss in revenues would be expected. Competitors might be able to offer services that are superior to the services offered by XING AG.

In addition to the competition posed by existing and future social networking companies, competition might also intensify with other Internet companies which have a more comprehensive user base. Moreover, some search engines currently offer services which are very similar to some of the main features of XING. These include for instance Internet-based email services, address books and software for providing cartographic illustrations, which are offered in addition to enhanced search functions. Some providers of search engines have also acquired companies and platforms for social networking, or are in the process of acquiring such companies and platforms.

Many search engines and Internet service providers have been operating for quite some time, have a higher degree of name recognition, a larger customer base, and much more extensive financial, technical, and marketing resources than XING AG.These competitors could devote increased resources to their product development activities, carry out marketing campaigns with a greater trajectory, pursue a more aggressive pricing policy, and offer more attractive services and conditions to the employees, institutions, or companies with whom XING maintains business relations.

XING AG confronts the competition in particular by continually improving and expanding the services and features of the xing.com website.

Risks of customer service

XING AG continually expands its business model to include additional sources of income. By doing so, XING is reducing its reliance on member subscriptions. However, this fact does not signal any departure from the guiding principle of XING AG, which places maximum priority on customer satisfaction, not only with regard to financial success of the Company.

Members expect that the Company avoids quality problems, as a result of XING AG's own stringent demands with regard to the quality of the platform. As a result of the strong identification of many members with XING, the Company usually receives direct and rapid feedback on certain process decisions on the platform and in the case of modifications and innovations. As a result, XING AG must also react quickly to prevent member cancellations, which would result in loss of revenue.

A special team of employees has therefore been set up to assume responsibility for assuring continual quality on the platform. In particular, this comprises identifying fake profiles and tracing inappropriate or offensive comments on the platform.

The development of new functionalities and modifications to the platform is usually accompanied by an exchange between XING AG and its customers to ensure that customers' needs are recognized to the greatest extent possible.

Financial risks

The default risk attributable to receivables from subscriptions of Premium Members was less than one percent of total revenues last financial year, and thus not of material significance.

The default risk with regard to the receivables from the remaining areas of activity was reflected in 2008 by means of a lump sum allowance.

The liquidity risk is limited by the fact that XING AG holds its cash exclusively at banks with a high credit standing and invests only in securities with a high credit rating and liquidity. The main business model of Premium Memberships and corresponding regular cash inflows provide the Company with sufficient liquidity. In addition, there is also a liquidity preview.The Company's solvency is thus guaranteed at all times.

IT risks

Cooperation with external service providers

XING AG is dependent on external service providers with specialized knowledge and technology to provide services that are crucial to its business activities. This includes the procurement, installation, development, maintenance and servicing of hardware and software, data and voice communication services, sever housing, payment processing and text message delivery. With regard to certain key software, XING AG currently relies primarily on a single service provider. External service providers may fail to perform their duties satisfactorily or may fail to do so in a timely manner. Alternatively, external service providers may decide to terminate their agreements with XING AG or refuse to extend them on commercially reasonable terms.

XING AG has entered into a long-term cooperation with some of its key suppliers, e.g. in the form of the equity interest in XING AG held by a software development company. The Company remains in continuous contact with its cooperation partners in order to allow it to initiate further developments in the respective areas at an early stage and to negotiate joint projects with sufficient client lead time.

Risks relating to network security, hardware and software

In order to perform services for its members, XING AG is dependent on the use of automated processes, the reliability and efficiency of which are, in turn, dependent o the functionality and stability of the underlying technical infrastructure. The servers used by XING AG and the related hardware and software are vital to the success of the Company's business. The possibility of service interruptions due to hardware failures and software errors cannot be completely excluded.

The Company's website and services could be seriously impacted by failures or disruptions to its IT systems as a result of physical damage, power outages, system crashes, software problems, malware (such as viruses and worms) and malicious attacks (including denial-of-service attacks). In such cases, XING AG's ability to provide its services could be interrupted.

Any breach of network security could cause interruptions to operations, increase operating expenses and damage the Company's reputation. Advances in computing capabilities, new inventions or other developments could compromise or breach the technology. Attacks on the XING AG platform could result in the destruction or alteration of stored personal data or the use of such data for malicious or non-consensual purposes, including identity theft, credit card or other fraud, targeted advertising and spam mails from companies unconnected to XING AG.

Advertisers and spam mailers may attempt to join XING in order to obtain other members' personal data. These activities could result in long-term damage to XING's reputation and lead to XING no longer being able to attract new members or retain existing members. XING AG could be required to incur significant expense and use other resources in order to protect its platform from potential or existing security breaches.

XING AG is permanently engaged in ensuring the security of its network through the ongoing development of its technology and the deployment of its own employees in the area of network security.

Due to several successfully implemented measures in 2008, XING AG expects that the probability of these risks actually taking effect has been significantly reduced.

IT security guideline

The IT security guideline is the central standard for all matters of security. If this is not available, or if the existing guideline is inadequate, there is a risk that there will be no uniform strategy and action in matters of security. In addition, XING AG runs the risk of losing the PCI certificate necessary for credit card transactions if an adequate security guideline cannot be presented on the occasion of the annual PCI audit.

In 2008, an interdisciplinary project team was responsible for creating the IT security guideline in line with requirements.

Process and organization risks

Organization development

XING AG aims to achieve constant growth. Further expansion of personnel and external services is expected in this process. The Company is aware that rapid growth involves risk. Accordingly, XING AG works continuously on developing its organization and improving its internal processes.

Breaches of data protection and privacy law

Members provide the Company with extensive personal data, which is stored on XING AG's servers in Germany. These data are accessible to members located both within and outside the European Union. In addition, XING AG allows its members to transmit personal data worldwide. The collection, processing and transfer of personal data and communications between members are subject to strict European and German data protection provisions and the data protection and privacy laws of other countries.

If XING AG were to violate these statutory provisions on data protection, telecommunications secrecy or privacy, it could become the subject of investigations, data protection orders or claims for damages. Under certain circumstances, criminal proceedings could even be initiated against XING AG and its management.

Any breach of data protection and privacy law could have a material adverse effect on the Company's reputation and its ability to attract new members and retain existing members, and could even result in the temporary or permanent loss of XING AG's ability to offer or perform some or all of its services in certain countries.

XING AG charges specific employees with the task of monitoring adherence to data protection legislation. In addition, amendments to data protection provisions are identified on an ongoing basis in conjunction with the Company's legal advisers and measures for monitoring and complying with these provisions are reviewed and revised as necessary. New functionalities of the XING platform are reviewed for possible implications in relation to data protection law before they are introduced and they are only released if it is certain that they comply with all applicable stipulations of data protection law.

General statement regarding the risk situation for the company

Within the overall assessment of the Group risks, IT risks and risks that relate to the satisfaction of existing users and the acquisition of new users are most significant. Overall, the risks in the Group are of manageable proportions. The continued existence of the Company as an ongoing concern is also assured in future.

Report of significant events after the closing date

The following are events that took place after the balance sheet date and have a significant influence on the revenue, financial position and net assets of XING:

In January 2009, XING AG purchased the New York-based Socialmedian Inc., a leading developer of online news networks. The purchase price consisted of cash and stock totaling €2.9 million plus a profit-based earn-out of €0.5 – €2.5 million to be paid over the next three years. Other information according to IFRS 3.71 is not available at this time due to a lack of reliable IFRS values.

As part of an asset deal, XING AG took over 19 employees from epublica GmbH, which for years has been their main partner in the development of the XING platform. This will allow the Company to strengthen its development expertise. The two groups of developers, who have already been working very closely with each other at the offices at Hamburg Gaensemarkt, will merge to form team of 78 employees working on product development.

Forecast and opportunity report

Direction of XING AG in the course of the next two financial years

In the annual report 2007, XING already highlighted its customer-oriented strategy as a significant factor for success over the last few years as well as for the future. The Company will continue to adhere to this long-term strategic direction in the next few years, as well. In addition to expanding and further developing the platform, XING will continue to prepare itself for organizational challenges which could arise mainly as a result of the rapid growth. In January 2009, for example, XING AG leased more than 1,500 m2 of new office space in order to be able to keep up with their high growth rate in the future, as well.

Anticipated macro-economic development

The Company expects that the financial crisis and the resulting recession will also have an impact on economic development in the next few years. According to information from the International Monetary Fund (IMF), the financial crisis has caused losses worldwide of approximately $2.2 trillion. Experts predict that 2009 will see the lowest growth rate since World War II. The IMF is even expecting a stagnation in the world economy. The Company expects that a positive trend in consumption will offset the major cutbacks in corporate investment and help the economy start to recover as early as the end of 2009. However, this will largely depend on whether fiscal measures are effective and are expanded. The IMF is somewhat more optimistic with regard to 2010 and expects to see a growth rate of three percent.

Expected sector development

The diversified business models of XING AG make it well positioned to continue growing at the same rate it has in the past despite the current recession and the banking crisis. The management expects the worldwide social networking sector to continue experiencing strong growth in membership. The growth will be supported by a continually increasing Internet penetration and a pronounced virality in social networks. This will also generate a significant number of members through recommendations in the future. According to the technology market intelligence company IDC, the number of Internet users will increase from about 1.5 billion currently to about 1.9 billion in 2012. Experts also expect that the number of mobile Internet users will continue to increase significantly and may reach 1.5 billion by 2012. According to experts, using social networks will also continue to become more and more important, creating new opportunities for online advertisers. XING AG also expects the social networking sector as a whole to become more important in the next few years for business professionals in particular.

Social networking platforms could also develop new dimensions if users, apart from pure contact maintenance, have the option to search for new jobs or information, or even to take advantage of special offers in the area of eCommerce.

Anticipated development

Due to the current volatile market conditions and their long-term effects on the job market, XING AG expects to see the demand for professional networking rise significantly worldwide. The Premium Membership makes it possible for XING members to establish direct contact with decision-makers which creates valuable opportunities in the "Subscription" segment. Combined with targeted online and traditional marketing approaches, this makes it possible for XING AG to continue growing both in its home market and in other key markets.

The successful migration of the Neurona platform has also enabled the Company to secure a leading market position in the Spanish-speaking world. This accelerates viral growth and further activation of the high-quality member basis, which XING AG expects will significantly increase the number of paying members. XING AG is also building up a critical mass at an increased rate in other key countries in order to make the platform more attractive for paying members there, as well. The Company continues to follow its strategy of penetrating key metropolitan areas and generating growth through the resulting viral expansion. XING AG expects this to lead to a rise in the number of customers in the "Subscription" segment and to a further increase in revenues.

In the fourth quarter of 2007, the Company established a business model for a performance-based billing system for job postings in the "eCommerce" segment, which was very well received by employers and recruiters in the first full financial year. According to a study of the high-tech association BITKOM, in Germany alone, around 94 percent of all companies use various online channels to search for new employees. One fifth are already using social networks like XING to find new employees. The Company sees significant potential here for using its innovative matching technology to bring recruiters and job candidates together quickly and in an inexpensive way. XING AG also believes that globalization will continue to have an impact on the labor market and that job openings will also be placed internationally in the future. The Company sees additional growth potential in the course of the next few years in this field with its international positioning and member base. Other opportunities could also arise in the next few years from additional cooperations with national and international partners in the "BestOffers" segment.

The year 2008 was the first full financial year that the "Advertising" segment contributed to the revenue and financial results as a third source of revenue. Even if the financial crisis and related budget cuts in online advertising have a negative impact on the future sales trend in this area, the Company expects advertising on the platform to continue to expand in the next few years. Experts from emarketer have also lowered their expectations for advertising sales on social networking platforms. In December 2007 they were still anticipating that spending on advertising on social networking platforms would increase from about €844 million in 2007 to about €2.85 billion in 2011, but are now expecting it to be around €2.4 billion in 2011.

Employees and investments

The Company will continue to expand its employee base in the course of the next few years and expects to see another increase in the number of employees.

XING AG is continually investing in sustainable growth. The pace of technological improvement in the sector is very high and demands continuous innovation. In the course of the next few years, the Company intends to increase its spending in this particular field compared with previous years.

Business opportunities

XING AG operates in a very dynamic and rapidly expanding sector. As a result of increasing Internet penetration and an increasing willingness to pay for high quality online content, there will be opportunities for the Company which may have a positive impact on member as well as earnings growth. In addition, the next few years might see new business opportunities which are primarily created by the constant innovation process of XING AG. If the market acceptance of the innovations exceeds internal expectations or if demand in certain markets is greater than originally anticipated, business and earnings might increase even more rapidly than originally anticipated.

Consolidated financial statements

for the financial year from January 1 to December 31, 2008

CONSOLIDATED INCOME STATEMENT

for the financial year from January 1 to December 31, 2008

in € thousand	Note	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Revenues from services	8	34,904	19,047
Other operating income	9	370	562
Total revenues		35,274	19,609
Cost of materials		(31)	(18)
Personnel expenses	10	(8,807)	(4,884)
Marketing expenses	11	(4,375)	(1,651)
Other operating expenses	12	(9,896)	(6,162)
EBITDA		12,165	6,894
Depreciation	13	(2,426)	(2,179)
EBIT		9,739	4,715
Financial income	14	1,185	1,393
Financial expenses	14	(20)	(49)
EBT		10,904	6,059
Expenses attributable to taxes on income	15	(3,586)	(447)
Result for period of continued operations		7,318	5,612
Result for period of discontinued operations		0	(1,123)
Total result for the period		7,318	4,489
Thereof:			
Shareholders of the parent company		7,324	4,606
Minorities		(6)	(117)
		7,318	4,489
Earnings per share (undiluted)	16	1.41	0.89
Earnings per share (diluted)	16	1.41	0.86
Continued operations			
Earnings per share from continued operations (undiluted)	16	1.41	1.10
Earnings per share from continued operations (diluted)	16	1.41	1.07

CONSOLIDATED BALANCE SHEET

as of December 31, 2008

ASSETS in € thousand	Note	12/31/2008	12/31/2007
Non-current assets			
Intangible assets			
Other intangible assets	17	2,338	2,054
Purchased software	17	3,821	307
Self-developed software	17	4,696	2,934
Goodwill	17	13,823	9,280
Property, plant and equipment			
IT hardware and other business equipment	17	1,897	2,487
Financial assets			
Equity participations	17	24	200
Other financial assets	17	20	132
Deferred tax assets	15	346	1,626
		26,965	19,020
Current assets			
Inventories			
Products	18	38	20
Receivables and other assets			
Receivables attributable to services	18	3,345	2,121
Tax refund assets	18	166	219
Other assets	18	1,281	376
Cash and cash equivalents and other current deposits	18	42,922	37,844
Assets available for sale	18	200	0
		47,952	40,580
		74,917	59,600

LIABILITIES in € thousand	Note	12/31/2008	12/31/2007
Shareholders¯ equity			
Subscribed capital	19	5.202	5.202
Treasury stock	19	(2.092)	0
Capital reserves	19	38.517	38.517
Other reserves	19	1.756	636
Cumulative profit	19	9.068	1.744
Equity attributable to equity holders of the XING AG	19	52.451	46.099
Minorities	19	(123)	(117)
		52.328	45.982
Non-current liabilities			
Liabilities from finance leases	20	0	240
Deferred tax liabilities	15	2.157	1.533
Deferred income	20	581	540
		2.738	2.313
Current liabilities			
Liabilities from finance leases	21	122	160
Trade accounts payable	21	1.393	2.320
Deferred income	21	9.725	6.380
Tax provisions	21	2.395	743
Other liabilities	21	6.216	1.702
		19.851	11.305
		74.917	59.600

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDER EQUITY

for the finacial year to December 31, 2008

in € thousand	Note	Subscribed capital	Capital reserved	Treasury stock
Balance 01/01/2007		5,202	38,517	0
Currency translation	5	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	10	0	0	0
As of 12/31/2007		5,202	38,517	0
Balance 01/01/2008		5,202	38,517	0
Currency translation	5	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	(2,092)
Personnel expenses, stock option program	10	0	0	0
As of 12/31/2008		5,202	38,517	(2,092)

Other reserves	Cumulative profit/(loss)	Total	Minorities	Shareholders' equity, total
54	(2,862)	40,911	0	40,911
(31)	0	(31)	0	(31)
(31)	0	(31)	0	(31)
0	4,606	4,606	(117)	4,489
(31)	4,606	4,575	(117)	4,458
613	0	613	0	613
636	1,744	46,099	(117)	45,982
636	1,744	46,099	(117)	45,982
(16)	0	(16)	0	(16)
(16)	0	(16)	0	(16)
0	7,324	7,324	(6)	7,318
(16)	7,324	7,308	(6)	7,302
0	0	(2,092)	0	(2,092)
1,136	0	1,136	0	1,136
1,756	9,068	52,451	(123)	52,328

CONSOLIDATED CASH FLOW STATEMENT

for the finacial year from January 1 to December 31, 2008

in € thousand	Note	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Earnings before taxes from continued operations		10,904	6,059
Earnings before taxes from discontinued operations		0	(1,123)
Earnings before taxes		10,904	4,936
Depreciation on capitalized development costs	13	860	1,374
Depreciation	13	1,566	806
Depreciation attributable to discontinued operations	7	0	464
Personnel expenses, stock option program	10	1,136	613
Interest income	14	(1,185)	(1,393)
Interest income from discontinued operations	7	0	(12)
Interest received		1,185	1,359
Interest expenses	14	20	49
Interest expenses from discontinued operations	7	0	26
Profit and loss account from fixed asset		(14)	0
Change in receivables and other assets		(1,730)	(984)
Change in liabilities and other liabilities		1,602	(634)
Change in deferred income		3,386	2,259
Cash flow from operating activities		17,731	8,863

Capitalization of self-developed software	17	(2,622)	(2,439)
Purchase of other software	17	(2,598)	(147)
Purchase of other intangible assets	17	(233)	(539)
Result from the disposal of fixed assets		45	0
Purchase of property, plant and equipment	17	(1,498)	(1,857)
Purchase of consolidation companies (less cash acquired)	7	(3,334)	(10,954)
Investment in other finacial assets	17	(24)	(106)
Cash flow from investing activities		(10,264)	(16,042)
Share buyback		(2,092)	0
Repayment of liabilities from finance leases		(277)	(151)
Interest paid		(20)	(51)
Cash flow from financing activities		(2,389)	(202)
Change in cash and cash equivalents		5,078	(7,381)
Cash and cash equivalents at the beginning of the period		37,844	45,225
Cash and cash equivalents at the end of the period[1]	18	42,922	37,844

[1] Cash and cash equivalents are liquid assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from January 1 to December 31, 2008

A Principles and methods

1. Information concerning the company

The Company was founded in Hamburg, Germany, with the company agreement of August 12, 2003 as a limited liability company (Gesellschaft mit beschränkter Haftung) under the name OPEN Business Club GmbH (also referred to in the following as "XING" or the "Company"), and was entered in the commercial register on August 26, 2003.

On July 19, 2006, the shareholders' meeting adopted a resolution concerning the transformation of the Company into an Aktiengesellschaft (joint stock corporation) with share capital of €52,050.00 under the name "OPEN Business Club AG". The change in legal form was entered in the commercial register on October 16, 2006.

The IPO of the Company took place on December 7, 2006, when a total of 5,201,700 shares were admitted to trading on the official market of the Frankfurt stock exchange. The IPO consisted of a public offering in Germany, Switzerland and international private placings in other jurisdictions.

On July 9, 2007, the name was changed from "OPEN Business Club AG" to "XING AG".

Measured in terms of the total worldwide number of individual visitors, XING operates one of the leading professional networking websites. The international, multi-lingual, Internet-based platform is a "relationship engine" which provides its members with the opportunity of establishing new business contacts, maintaining existing contacts, extending their operations to new markets and also exchanging opinions and information. XING generates its revenues with membership subscriptions of Premium members, and currently operates the platform without any paid advertising for the Premium members.

The registered offices of XING are located at Gaensemarkt 43, 20354 Hamburg, Germany.

2. Basis of preparing the financial statements

The consolidated financial statements of XING AG and its subsidiaries for the financial year ending December 31, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the additional regulations of commercial law applicable in accordance with section 315a (1) HGB. The Group has applied all IFRS which are the subject of mandatory adoption as of the balance sheet date to the extent that these standards had been adopted by the EU at the point at which the consolidated financial statements were approved by Management. The IFRS comprise the International Financial Reporting Standards in the version published by the International Accounting Standards Board (IASB) and its predecessor organization, to the extent that the IASB has not rejected their application, and the corresponding interpretations in the version published by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor organization, to the extent that the IASB has not rejected their application.

The requirements specified by the applied standards have been met, which means that the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group.

The consolidated financial statements have been prepared in Euros. Unless otherwise specified, all figures have been rounded to thousand Euros (€thousand). The tables and figures which are shown may include rounding differences.

The reported figures take account of the continued and discontinued operations.

The consolidated income statement for the financial year from January 1 to December 31, 2008 is presented before the consolidated balance sheet as of December 31, 2008. Accordingly, the notes to the consolidated income statement within the notes to the consolidated financial statements for the period ending December 10, 2008 are presented before the notes to the consolidated balance sheet.

The consolidated income statement is prepared in accordance with the cost summary method. EBITDA is defined as earnings before interest, taxes and other financial results as well as depreciation. EBIT is defined as earnings before interest and taxes and other financial results, EBT is defined as earnings before taxes.

The consolidated financial statements are prepared in accordance with the purchase cost principle.

The consolidated financial statements and the Group management report for the period ending December 31, 2008 of XING AG were approved for publication by the Executive Board on March 10, 2009, and will be presented to the Supervisory Board of the Company for approval on March 25, 2009.

The accounting principles are based on the IFRS published and adopted by the EU at the point at which the consolidated financial statements were signed by management.

The accounting policies adopted are consistent with those of the prior financial year, apart from the following exceptions:

As of January 1, 2008, the Group applied the new and revised IFRS standards and interpretations listed in the following:

IFRIC 11 IFRS 2: Group and treasury stock transactions

IFRC 11 was published in November 2006 and is the subject of first-time adoption for financial years commencing on or after March 1, 2007. The Group has applied IFRIC 11 to the extent that it relates to consolidated financial statements. In accordance with this interpretation, agreements under which employees have been granted rights to capital instruments of a company also have to be recognized as share-based payment transactions with settlement in the form of capital instruments even if the company acquires the instruments from a third party or the shareholders provide the required capital instruments. Because the Group has so far not made any of the agreements detailed above, no effects on the consolidated financial statements are expected.

EU endorsement

The IASB and IFRIC have published the following standards and interpretations which were implemented in EU law within the framework of the comitology process but which were not yet the subject of mandatory adoption in financial 2008. These standards and interpretations are not the subject of early adoption at the Group.

IAS 23 – Borrowing costs

The revised standard IAS 23 was published in March 2007 and is the subject of first-time adoption for reporting period commencing on or after January 1, 2009. The standard has suspended the previous option and requires borrowing costs which can be allocated to a qualified asset to be capitalized. A qualified asset is defined as an asset for which a considerable period is necessary in order to put the asset into its intended condition for use or sale. The standard specifies prospective application of the new ruling.

Because the Group does not have to bear significant borrowing costs, no impact on the consolidated financial statements is expected.

IAS 1 – Presentation of financial statements

The revised Standard IAS 1 was published in September 2007 and is the subject of initial adoption for the reporting period commencing on or after January 1, 2009. The new version of the standard contains major changes regarding the presentation and statement of financial information in the financial statements. In future, only transactions with the shareholders in their capacity as shareholders are permitted to be shown in the statement of changes in shareholders' equity. The other changes in shareholders equity have to be shown in the presentation of income for the full period, which can be prepared either in the form of a single statement or in the form of two statements, an income statement and a presentation of income for the full period. In addition, the standard states that a company has to include a balance sheet in its financial statements at the beginning of the earliest comparison period if it retrospectively applies an accounting method or retrospectively adjusts or reclassifies items in the financial statements.

The new standard will have an influence on the way in which financial information of the Group is published; however, no impact on the recognition and measurement of assets and liabilities in the consolidated financial statements is expected.

Changes to IFRS 1 and IAS 27 – Purchase costs of an equity participation in a subsidiary, Joint Venture or associated company

The changes to IFRS 1 and IAS 27 were published in May 2008 and are the subject of first-time adoption in the reporting period which commences on or after January 1, 2009. The changes to IFRS 1 also permit a company to use the amounts shown in accordance with previously applied accounting principles or use the fair values instead of purchase costs (deemed cost) for determining the purchase costs of equity participations in subsidiaries, joint ventures and associated companies in its IFRS opening balance sheet. The changes to IAS 27 relate solely to the separate financial statements of a parent company and, in particular, specify that all dividends of subsidiaries, joint ventures and associated companies are recognized in the income statement in the separate financial statements. The transitional regulations specify a prospective application.

Because the rules regarding first-time adoption of IFRS and the regulations for separate financial statements are not relevant for the Group, no impact on the consolidated financial statements of this new ruling is expected.

Changes to IFRS 2 – Exercise conditions and annulments

The changes to IFRS 2 were published in January 2008, which is the subject of first time adoption for the reporting period commencing on or after January 1, 2009. The new ruling clarifies the concept of the exercise conditions and also governs the accounting treatment for share-based compensation plans being terminated by employees. The transitional stipulations include a provision for retrospective application of the new ruling.

The opinion of the IASB differs from the accounting method previously used in the Group. Because the transitional regulations require retrospective application of the new ruling, the first-time adoption results in a recalculation of the fair value of the granted equity capital instruments at the point at which they are granted. Any differences are shown directly in equity. The Group does not expect that the first-time adoption of the new ruling will result in any mayor changes in the equity ratio, nor does it expect that it will have any major impact on the consolidated financial statements.

Changes to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation

The changes to IAS 32 and IAS 1 were published in February 2008, and are the subject of first time adoption for the reporting period commencing on or after January 1, 2009. An exceptional rule has been introduced, according to which puttable financial instruments have to be classified as shareholders' equity if certain criteria are met. Disclosures relating to these financial instruments are also prescribed.

The changes to the standard will probably not have an impact on the net assets, financial position and results of operations of the Group because the parent company has not issued any of these instruments.

Improvements of IFRS 2008

The changes from the improvement project 2008 were published in May 2008 and are the subject of first time adoption in the reporting period which commences on or after January 1, 2009 (with the exception of IFRS 5, which is the subject of first time adoption after July 1, 2009). Within the framework of the improvement project 2008, numerous substantial changes which have an impact on accounting and valuation as well as purely editorial changes were promulgated. The latter changes comprise for instance the revision of some definitions and formulations in order to guarantee consistency with other IFRS. The Group has not yet adopted the following changes:

- IFRS 5: Non-Current Assets held for Sale and Discontinued Operations: It has been clarified that all assets and liabilities of a subsidiary whose planned disposal results in a loss of control over this subsidiary have to be classified as held for sale even if the company will retain a non-controlling interest in this former subsidiary after the disposal.

At present, there are no plans for shares in subsidiaries to be sold, so that this standard will probably not have any impact on the consolidated financial statements.

- IAS 1: Presentation of Financial Statements: It has been clarified that financial instruments which are classified as held for trading do not necessarily have to be shown as current assets or liabilities in the balance sheet. The classification as "current" merely has to follow the definition criteria set out in IAS 1.

The invested liquid assets of XING AG have to be classified as "current" according to the criteria of IAS I. The Group does not have any financial instruments which do not have to be classified as "current" under IAS 1; therefore, no impact is expected due to the application of this standard.

- IAS 10: Events after the Balance Sheet Date: It has been clarified that dividends which have been adopted after the balance sheet date but before the approval for publication of the financial statements do not constitute obligations on the balance sheet date and are therefore not shown as liabilities in the financial statements.

In the past, it has not been part of XING AG's dividend policy for dividends to be paid out. Subject to a different decision for the year 2009, this standard will not have any impact on the consolidated financial statements.

- IAS 16 Property, Plant and Equipment: Proceeds from the property, plant and equipment held for rental which are normally sold as part of ordinary operations after rental have to be shown under sales revenues.

The Group currently does not hold any property, plant and equipment for rental, so that this standard will probably not have any impact on the consolidated financial statements.

- IAS 20 Accounting for Government Grants and Disclosure of Government Asssistance: In future, there will be an obligation to calculate the interest benefit in the case of low-interest or interest-free loans. The difference between the amount which is received and the discounted amount has to be shown as government assistance.

The Group at present does not report any public-sector grants; this standard is accordingly not expected to have any impact on the consolidated financial statements.

- IAS 23: Borrowing Costs: The definition of borrowing costs has been revised to include the guidelines set out in IAS 39 with regard to the effective rate.

The Group at present does not have any interest-bearing loans. Accordingly, this standard is not expected to have any impact on the consolidated financial statements.

- IAS 27 Consolidated and Separate Financial Statements According to IFRS: It has been clarified that the recognition of a subsidiary in accordance with IAS 39 at fair value in the separate financial statements of a parent company also has to be retained if the subsidiary is classified as held-for-sale.

At present, there are no plans for shares in subsidiaries to be sold, so that this standard will probably not have any impact on the consolidated financial statements.

- IAS 28 Investments in Associates: Because the goodwill in the carrying amount of an investment in an associate is not shown separately, it is also not subjected to a separate impairment test. Instead, the entire carrying amount of the share is subjected to the impairment test as a single asset, and an impairment is recognized as required. It has now been clarified that a reversal of an impairment recognized in previous reporting periods in relation to an investment in an associate overall has to be reported as an increase in this interest and does not have to be allocated over the corresponding goodwill. A further change relates to the disclosure obligations relating to those investments in associates which are recognized at fair value in accordance with IAS 39. In future, only the requirements of IAS 28 will be applied in relation to these investments; according to these requirements, the nature and extent of considerable restrictions affecting the ability of the associate to transfer funds in the form of cash or loan repayments to the company have to be disclosed.

The impairment test which was carried out for the first time in 2008 has not resulted in any impairments, so that the standard will probably not have any impact on the consolidated financial statements.

- IAS 34 Interim Financial Reporting: It has been clarified that the undiluted and the diluted earnings per share only have to be disclosed in the interim financial statements if the company is subject to the stipulations of IAS 33 Earnings per Share.

The Group is subject to the stipulations of IAS 33 and has disclosed in previous periods the undiluted and diluted earnings per share in interim financial reporting.

- IAS 36: Impairment of Assets: The disclosure obligations for determining the value in use and for determining the fair value less costs to sell, which is determined on the basis of a discounted cash flow model, have been harmonized.

Because the recoverable amount of the cash generating units of the Group is currently calculated on the basis of the value in use, the change will not have any direct impact.

- IAS 38: Intangible Assets: Costs of products and services which are used for advertising campaigns and sales promotion measures (incl. mail order catalogues) have to be recognized as expense in future if the company has received the right to access these products or these services. In addition, the application of the benefit-linked depreciation method for intangible assets is still permitted without any restriction.

The Group currently recognizes all costs of products and services which are used for advertising campaigns and sales promotion measures as costs, so that the interpretation will probably not have any impact on the consolidated financial statements.

- IAS 39: Financial Instruments: Recognition and Measurement: In future, derivatives can be designated as measured at fair value through profit and loss after initial recognition as a result of changed circumstances, or can be removed from this category because this is not a reclassification action in accordance with IAS 39. The reference to a “segment” in connection with the statement as to whether an instrument meets the criteria of a hedging instrument has also been deleted. In addition, it has been clarified that the newly calculated effective rate has to be used for measuring a debt instrument after it is no longer recognized as a fair value hedge.

The Group does not have any hedging instruments in accordance with IAS 39, so that this standard will probably not have any impact on the consolidated financial statements.

IFRIC 13 – Customer loyalty programs

The IFRIC Interpretation 13 was published in June 2007 and is the subject of first time adoption for the reporting period commencing on or after July 1, 2008. In accordance with this interpretation, bonuses granted to customers have to be recognized as revenues which are separate from the transaction under which they have been granted. Accordingly, part of the fair value of the consideration which is received is allocated to the customer bonuses which have been granted and shown under liabilities. Revenues are recognized in the period in which the customer bonuses which have been granted are exercised or in which they expire.

In view of the relatively insignificant volume of customer loyalty programs in the Group, the first-time adoption of this new regulation is not expected to have a significant impact on the consolidated financial statements.

IFRIC 14 IAS 19 – The limit on a defined denefit asset, minimum funding requirements and their interaction

The IFRIC Interpretation 14 was published in July 2007 and is applicable no later than the beginning of the first financial year after December 31, 2008. This interpretation provides guidelines for determining the maximum surplus from a defined-benefit plan which is permitted to be capitalized as an asset under IAS 19 Employee benefits.

Because the Group has not set up any defined-benefit pension plans, this interpretation is not expected to have any impact on the consolidated financial statements.

EU endorsement still outstanding

The IASB and the IFRIC have published the following standards and interpretations which were not yet the subject of mandatory adoption in financial 2008. These standards and interpretations have so far not been endorsed by the EU and are not applied by the Group.

IFRS 1 – Initial adoption of the IFRS

The revised standard IFRS 1 was published in November 2008 and is applicable for the first time in the reporting period commencing on or after January 1, 2009. The revision of the standard comprised all editorial amendments and a restructuring of the standard. The revision has not resulted in any changes to accounting and measurement principles for parties applying IFRS for the first time.

The terms of the IFRS 1 are targeted at parties applying IFRS for the first time, and therefore do not have any impact on the Group.

IFRS 3 – Business combinations

The revised standard IFRS 3 was published in January 2008 and is the subject of first-time adoption for the reporting period commencing on or after July 1, 2009. The standard was comprehensively revised within the framework of the convergence project of IASB and FASB. The main changes relate to the introduction, for the purpose of measuring minority interests, of a choice between recognition using the pro-rata identifiable net assets (so-called purchased-goodwill method) and the so-called full-goodwill method according to which the whole of the goodwill of the acquired company which is also attributable to the minority shareholders has to be recognized. In addition, it is also necessary to mention the revaluation recognized in the income statement of existing shares when control is initially acquired (successive company acquisition), the mandatory recognition of a consideration which is linked to the occurrence of future events at the time of acquisition as well as the recognition of transaction costs in the income statement. The provisional stipulations envisage prospective application of the new rule. There are no changes with regard to assets and liabilities which result from business combinations before the first-time adoption of the new standard.

The changes will have an impact on the figure shown for goodwill, the results of the reporting period in which a company acquisition takes place and the results of subsequent periods. In particular, the application of the full goodwill method in the case of acquisitions with minority shareholders may result in higher goodwill.

IAS 27 – Consolidated and separate financial statements according to IFRS

The revised standard IAS 27 was published in January 2008 and is the subject of first-time adoption for the reporting period commencing on or after July 1, 2009. The changes primarily relate to the recognition of shares without a controlling influence (minority shares) which in future will participate fully in the losses of the Group, as well as the recognition of transactions which result in a loss of control at a subsidiary and the effects of which have to be recognized in the income statement. On the other hand, any effects of share disposals which do not result in a loss of control have to be recognized directly in equity. The transitional regulations specify prospective application in this respect. There are thus no changes applicable for assets and liabilities resulting from such transactions before the time of first-time adoption of the new standard.

In future, the losses attributable to minorities will also be allocated to the minorities in full if the amounts shown for the minorities have been completely consumed as a result of a continuing loss-making situation. The resultant negative amount is shown separately within equity. No figure can be shown on the assets' side of the balance sheet because an enforcable legal settlement claim does not exist.

Changes to IAS 39 – Eligible hedged items

The changes to IAS 39 were published in July 2008 and are the subject of retrospective initial adoption in the reporting period which commences on or after July 1, 2009. The change specifies how the principles contained in IAS 39 for presenting hedges have to be applied in relation to the designation of a unilateral risk in an underlying and also in relation to the designation of inflation risks as an underlying. It has been clarified that it is admissible for only part of the changes in the fair value or the cash flow fluctuations of a financial instrument to be designated as an underlying.

The Group does not have any hedges as detailed in accordance with IAS 39, so that this standard will probably not have any impact on the consolidated financial statements.

IFRIC 12 – Service concession arrangements

The IFRIC published IFRIC 12 in November 2006. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRS's) to account for the obligations they undertake and rights they receive in service concession arrangements. Because no company in the Group is a service concession operator, this interpretation does not have any impact on the Group.

IFRIC 15 – Agreements for the construction of real estate

The IFRIC interpretation 15 was published in July 2008 and is initially applicable in the reporting period commencing on or after January 1, 2009. This interpretation provides guidelines regarding the timing and extent of realizing income from projects for the construction of real estate.

IFRIC 15 will not have any impact on the consolidated financial statements because the Group does not own, and has not constructed, any real estate.

IFRIC 16 – Hedges of a net investment in a foreign operation

The IFRIC Interpretation 16 was published in June 2008 and is the subject of first time adoption for the reporting period commencing on or after October 1, 2008. IFRIC 16 provides guidelines for identifying the foreign currency risks which can be hedged as part of the process of hedging a net investment, for determining which Group companies are able to hold the hedging instruments for hedging the net investment, and for determining the foreign currency profit or loss which has to be transferred out of equity to the income statement upon the disposal of the hedged foreign operation. This interpretation has to be applied prosepctively.

IFRIC 16 will not have any impact on the consolidated financial statements because the Group does not carry out any such investments.

IFRIC 17 – Distributions of non-cash assets to owners

The IFRIC Interpretation 17 was published in November 2008 and is the subject of first-time adoption for the reporting period commencing on or after July 1, 2009. This interpretation provides guidelines for the recognition and measurement of obligations which involve a distribution of non-cash assets to the owners. The interpretation comments particularly on the timing, measurement and recognition of these obligations. Accordingly, such an obligation has to be recognized and measured at fair value when the company is no longer able to avoid this obligation. The obligation and any changes in the fair value of the relevant asset have to be recognized directly in equity. Any influence on the income statement in the amount of the difference between the fair value and the carrying amount of the asset occurs only at the point at which this asset is transferred to the owners. This interpretation has to be applied prospectively.

IFRIC 17 will not have any impact on the consolidated financial statements because a distribution of non-cash assets to owners is not expected in the Group.

IFRIC 18 – Transfers of assets from customers

The IFRIC interpretation 18 was published in January 2009, and is the subject of first-time adoption for the reporting period commencing on or after July 1, 2009. This interpretation provides guidelines regarding the recognition of agreements in which a company receives from a customer assets or cash which the company must use for connecting the customer for instance with a network and/or to provide the customer with permanent access to a supply of goods or services. The interpretation comments particularly on the criteria applicable for recognizing customer contributions and the timing and extent of recognizing revenues from such transactions. This interpretation has to be applied prospectively.

IFRIC 18 will not have any impact on the consolidated financial statements because the Group currently does not carry out any such transactions.

3. Group of consolidated companies and business combinations

The subsidiaries which are controlled by XING are included in the consolidated financial statements. Control is assumed if XING directly or indirectly owns more than half of the voting rights of the subsidiary, unless it can clearly be demonstrated that such owners-hip does not constitute control. The subsidiaries are consolidated from the time after which the Group acquires control and are no longer consolidated after the time at which the Group no longer has any control.

The Group of consolidated companies in the consolidated financial statements comprises the following companies:

	Equity holding 12/31/2008 in %	Equity holding 12/31/2007 in %	Initial consoli-dation	Shareholders' equity balance 12/31/2008 in € thousand	Result 2008 in € thou-sand
XING Hong Kong Ltd., Hong Kong, China[1]	85	55	2006	-161	-110
openBC Network Technology Co. Ltd., Beijing, China	85	55	2006	172	97
Grupo Galenicom Tecnologīas de la Information, S.L., (eConozco), Barcelona, Spain	100	100	2007	5	10
XING International Holding GmbH, Hamburg, Germany	100	100	2007	9.579	9
Neurona Networking, S.L., Barcelona, Spain[2]	100	100	2007	78	293
EUDA Uluslararasi Danismanlik ve Bilisim Hizmetleri Limited Sirketi (cember.net), Istanbul,Turkey[3]	80	0	2008	40	-20
XING Switzerland GmbH, Sarnen, Switzerland[4]	100	0	2008	18	5

[1] openBC China Ltd. with registered office in Hong Kong, was renamed XING Hong Kong Ltd. on December 15, 2008.
[2] 100 percent are held indirectly via shares of 100 percent in XING International Holding GmbH, Hamburg, Germany.
[3] 79.5 percent of shares are held indirectly by XING International Holding GmbH, Hamburg, Germany and 0.5 percent of the shares are held directly by XING AG
[4] XING Switzerland GmbH was established in Sarnen, Switzerland, on September 23, 2008. 100 percent of the share capital is held indirectly via shares of 100 percent in XING International Holding GmbH, Hamburg, Germany.

In January 2008, XING topped up its holding of 55 percent of shares in XING Hong Kong Ltd. to 85 percent. The purchase price of the additional shares was €365 thousand.

openBC Network Technology (Beijing) Co. Ltd., which was initially included in the consolidated financial statements with effect from September 30, 2006, was initially founded on June 20, 2006 and commenced operations in September 2006. Because openBC Network Technology (Beijing) Co. Ltd. was founded exclusively with cash by XING Hong Kong Ltd., Hong Kong, it was not necessary for the purchase price to be spread over the fair values of the acquired assets and liabilities. openBC Network Technology (Beijing) Co. Ltd. was founded in order to promote the growth of XING in the Asian market. The business purpose of openBC Network Technology (Beijing) Co. Ltd. corresponds to the business purpose of XING.

In March 2007, the Group acquired 100 percent of the voting rights in Grupo Galenicom Tecnologias de la Information, S.L., (eConozco). eConozco was the second largest Spanish contact network, and offered professional networking for the Spanish speaking community worldwide, and focused on the user group "business professionals" right from the very beginning of operations. The company was initially consolidated as of March 31, 2007 (see point 7).

In June 2007, XING International Holding GmbH completed the acquisition of 100 percent of the voting rights of Neurona Networking, S.L. (Neurona), a subsidiary of Grupo Intercom de Capital, SCR, S.A. The company was initially consolidated as of June 30, 2007 (see point 7).

XING International Holding GmbH was founded in the course of financial 2007, and is a wholly-owned subsidiary of XING AG based in Hamburg. Purchase costs of €25 thousand were incurred. At the time at which the company was founded, there was no difference between carrying amounts and fair values. It provides a shell for the subsidiary Neurona, cember.net and XING Switzerland and also for all future acquisitions, and facilitates the process of integrating such companies in the Group.

In January 2008, XING International Holding GmbH acquired 79.5 percent of the shares in EUDA Uluslararasi Danismanlik ve Bilisim Hizmetleri Limited Sirketi (cember.net), Istanbul, Turkey. A further 0.5 percent of the shares were purchased by XING AG at the request of the vendor. The purchase costs totalled €4,673 thousand. As part of a put and call option agreement, the remaining 20 percent of the company were acquired in February 2009. cember.net operates a platform in Turkey which is similar to that operated by XING in Germany. The purpose of the acquisition is to strengthen the market position of XING in Turkey. It was initially consolidated as of January 23, 2008.

On September 23, 2008, XING International Holding GmbH founded XING Switzerland GmbH based in Sarnen, Switzerland. The Company's share capital amounts to CHF 20,000.00. The carrying amount and fair value of the company were identical at the point at which the company was founded and initially consolidated.

All internal balances, business transactions, income and expenses as well as all results attributable to internal transactions were completely eliminated.

The subsidiaries have been fully consolidated starting with the date on which they were acquired. The date on which XING acquired control is deemed to be the date of acquisition.

4. Major discretionary decisions and estimates

The process of preparing the consolidated financial statements requires assumptions and estimates which have an impact on the figures shown in the consolidated financial statements and the corresponding comments. Although these estimates have been made to the best of knowledge of management, they may differ from the actual results.

On an annual basis, the Group determines whether the value of goodwill is impaired or not. This assumes that an estimate is made of the recoverable amount of the cash generating unit to which the goodwill is allocated. An estimate of the recoverable amount means that the Group estimates the future anticipated cash flow of the cash generating units and also uses an appropriate discount rate in order to calculate the present value of these cash flows. The carrying amount of the goodwill amounted to €13,823 thousand as of December 31, 2008 (previous year: €9,280 thousand).

Discretionary decisions are necessary in connection with the capitalization of development costs for software. The Company has carried out these estimates on the basis of the information which was available at the point at which these financial statements were published. The carrying amount of the capitalized development costs amounted to €4,697 thousand as of December 31, 2008 (previous year: €2,934 thousand).

The cost of granting equity instruments to employees are shown in the Group with the fair value of these equity instruments at the time of granting. In order to estimate the fair value of share-based compensation, it is necessary to determine the most suitable valuation procedure for the granting of equity instruments; this depends on the granting term. It is also necessary to determine suitable data included in this measurement procedure, including in particular the probable option term, volatility and dividend yield as well as corresponding assumptions. The assumptions and methods applied for estimating the fair value of share-based compensation are detailed under "Other disclosures".

5. Foreign currency translation

The consolidated financial statements are prepared in Euros, the functional currency and reporting currency of the Group. Each company within the Group determines its own functional currency and all items included in the annual financial statements of the particular company are recorded using this functional currency. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate applicable on the balance sheet date. Any translation differences which occur are recognized in the net income/loss for the period.

Non-monetary positions shown at historical cost of purchase in foreign currency are translated using the exchange rate applicable at the time of the transaction. Non-monetary positions shown at fair value in a foreign currency are translated using the exchange rate at the time at which the fair value was determined.

The functional currency of XING Hong Kong is the Hong Kong Dollar (HKD), and the functional currency of openBCNetwork Technology (Beijing) Co. Ltd. is the Chinese Renminbi Yuan (CNY); the functional currency of cember.net is the Turkish Lira. As of the balance sheet date, the assets and liabilities are converted into the reporting currency of the Group using the exchange rate applicable on the balance sheet date. The income statement is translated using the weighted average exchange rates of the year. Any translation differences which occur are shown directly as a separate component of shareholders' equity.

6. Summary of major accounting policies

The costs of acquiring other intangible assets are capitalized and written down over the expected service life of the assets using the straight-line method. Depreciation starts to be recognized at the point at which the intangible asset can be used.

In accordance with IAS 38 and SIC 32, intangible assets which arise as a result of development within the framework of an individual project are only shown if the Group can demonstrate that the completion of the project so that it can be used for internal consumption or sold is technically feasible, that the Group has the intention to carry out the project and that it is able to make internal use of the asset or sell the asset, that the as-set will generate future economic benefit and that resources are available for completing the asset and the ability exists to reliably measure the spending. After the initial recognition of the development costs, the asset is shown at cost of purchase less cumulative depreciation and cumulative impairments. All capitalized development costs are written down over the remaining economic life of the XING platform using the straight-line method. The economic life of the platform was changed from six years to five years at the beginning of financial 2008 in order to take account of the greater pace of technological development. The revaluation of the economic serivce life has resulted in the following change in the residual economic service life:

The residual economic service life of the platform was 48 months on December 31, 2008. On December 31, 2007, the residual economic service life was 23 months because the residual economic life of the platform on January 1, 2008 was defined as an additional five years. The fair value of the development costs is subject to an annual impairment test as long as the asset is not used or if there are indications of an impairment during the year.

Intangible assets are subject to an impairment test as soon as there are any indications of the existence of impairments. The duration of the impairment for an intangible asset with a limited service life and also the method used for impairing an intangible asset with a limited service life are subject to an impairment test at least at the end of each financial year. If the estimated recoverable amount is lower than the carrying amount, an impairment is recognized to reflect the difference between the recoverable amount and the carrying amount. If the reason for the impairment is no longer applicable, the previously recognized impairment is reversed, but only up to the carrying amount which would have resulted if no impairment had previously been recognized.

The Company recognizes company acquisitions using the purchase method, which results in the recognition of goodwill in the event of a positive difference. The goodwill acquired as part of a business combination is initially shown at cost of purchase; it comprises the additional costs of the business combination compared with the interest of the Group in the net present value of the identifiable assets, liabilities and contingent liabilities. Under IFRS, the goodwill is not depreciated over its service life. The Company is obliged to carry out an impairment test on goodwill at least once every year if there are no indications of a potential impairment.

If there are any such indications, an immediate impairment test has to be carried out. For the purposes of performing the impairment test, the goodwill is allocated to each of the cash generating units of the Group which are expected to derive benefits from the synergies created by the merger from the time of the acquisition onwards. The impairment is determined by calculating the recoverable amount of the cash generating unit to which the goodwill relates. If the recoverable amount of the cash generating unit is lower than the carrying amount, an impairment is recognized.

Property, plant and equipment is shown at cost of purchase less cumulative straight-line depreciation over a service life of between three years (IT equipment) and 13 years (office equipment) less cumulative impairments. The residual carrying amounts, service lives and depreciation and impairment methods are revised and adjusted as necessary at the end of the financial year.

Inventories are shown at the lower of cost and net disposal value. The net disposal value is the estimated sales proceeds that can be generated in the course of normal business less the estimated costs up to completion and the estimated costs to sell.

Financial assets in accordance with IAS 39 are classified in different categories. Such assets are measured with their fair value when they are initially recognized. Transaction costs which can be directly attributed to such assets are recognized in the income statement if the corresponding financial instrument is subsequently measured at fair value. After being initially recognized, available-for-sale financial instruments are measured with their fair value and the profits and losses are recognized directly in equity. The fair value of equity participations which are traded actively in an organized financial market is determined at the end of the financial year by the current offer price as of the balance sheet date. If the fair value of the equity participation cannot be reliably determined, the equity participation is shown at amortized cost of purchase.

Financial instruments in the category "loans and receivables" and "other liabilities" are then shown at amortized costs of purchase. Impairments relating to financial instruments are recognized in the income statement – in the case of available-for-sale financial instruments if an impairment of the asset is objectively necessary. The Group currently does not have any financial instruments in the categories "measured at fair value through profit and loss" and "held-to-maturity".

Financial assets are derecognized if i) the contractual right to cash flows generated by the asset expire; ii) the Group retains the right to generate cash flows from the asset but has taken on an obligation to completely and immediately pay the cash flows to a third party within the framework of an agreement for forwarding such cash flow; or iii) the Group has transferred the right to generate cash flows from the asset and either (a) all risks and opportunities associated with the asset have been essentially transferred, or (b) all major risks and opportunities associated with the asset have not been transferred or retained although control over the asset has been transferred.

The fair values of the financial assets or liabilities correspond to the carrying amounts.

A financial liability is derecognized when the obligation arising from the liability is cancelled or suspended or has expired.

In accordance with IAS 12, deferred taxes are created for temporary differences between the carrying amount of an asset or a liability in the balance sheet and the corresponding tax base of the asset or liability.

Deferred tax assets and deferred tax liabilities are created in an amount sufficient to cover the tax charges and tax credits assumed for the following financial years on the basis of the tax laws prevailing as of the balance sheet date. Deferred tax assets resulting from tax losses carried forward are capitalized to the ex-tent that it is probable that there will be a tax profit in the foreseeable future which can be used for netting against the tax losses carried forward.

Deferred taxes have to be calculated using the tax rates applicable at the time at which it is probable that the temporary differences will be settled. The effects of changes in tax legislation which result in relation to deferred tax assets and deferred tax liabilities have to be recognized in the income statement in the period during which the change becomes effective. The tax rate of 32.3 percent (previous year 40.4 percent) consists of the corporation tax plus solidarity surcharge as well as the average trade tax rate which is applicable.

Deferred tax assets have to be created if assets are shown with a lower value than the corresponding tax base or if liabilities are shown with a higher value than the corresponding tax base if these differences are of a temporary nature and are allowable for tax purposes.

Deferred tax liabilities have to be created if assets are shown at a value which is higher than the tax base or liabilities are shown at a value which is lower than the tax base to the extent that these differences are of a temporary nature and are taxable.

Deferred tax assets for tax losses carried forward which have not yet been utilized are calculated on the basis of a manageable planning period of two years.

Receivables and other assets are recognized with the original amount shown on the invoice less an impairment for irrecoverable amounts. Impairments are recognized whenever there are objective indications that the receivables are no longer recoverable.

Current balances held with banks and cash holdings are shown with their nominal amounts.

In accordance with IAS 32.35, the costs of procuring shareholders‘ equity are shown as a deduction from shareholders’ equity (netted against capital reserves) less any related income tax advantages, but only to the extent that they are likely.

Some employees and senior executives of the Group receive stock-based payment in the form of equity instruments (stock options). The costs which are incurred as a result of transactions with such equity instruments are shown with the fair value of the equity instruments which are granted applicable at the time at which they are granted. The fair value is determined by external experts using recognized valuation models.

The costs arising from the transactions are recognized over the period in which the performance and/or service conditions are satisfied, with a corresponding simultaneous increase in shareholders’ equity. This period only ends at the time after which the corresponding employee or senior executive becomes irrevocably authorized to take up the shares (the time of the initial exercising possibility). The cumulative costs at every time of the reporting period up to the time of the initial exercising possibility reflect that part of the vesting period which has already expired as well as the number or equity instruments which, on the basis of the Group’s best estimate, will eventually become vested. The amount which is debited or credited to the income statement reflects the development in the cumulative costs recognized at the beginning and at the end of the reporting period. The diluting effect of the outstanding stock options is recognized in the form of additional dilution for the purpose of calculating earnings per share.

The acquisition of treasury stocks is recognized directly in equity, and reduces additional paid-in capital accordingly. Finance leases as a result of which all risks and the entire benefits from ownership in the leased asset are essentially transferred to the Group are capitalized with the acquisition cost of the asset at the beginning of the lease. Lease payments are broken down into an interest payment and a redemption payment of the debt, resulting in a rate for the remaining liability which is constant over the remaining periods. Financing costs are recognized directly in the income statement.

Provisions are recognized if i) the Company has a current obligation arising from a past event, ii) it is likely that an outflow of financial resources will be necessary in order to satisfy the obligation and iii) a reliable estimate can be made of the extent of the liability.

Contingent liabilities are defined as potential obligations whose existence still has to be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not completely under the control of the Company. Liabilities in relation to which an outflow of resources is unlikely or an outflow of resources cannot be reliably determined are summarized under this item. In accordance with IAS 31, contingent liabilities are not to be shown in the balance sheet.

Revenues from member subscriptions are recognized on a precise daily basis with due consideration being given to the pro rata duration of the corresponding membership as of the balance sheet date. All advance payments received for periods after the reference date are shown as deferred items in the balance sheet; the revenues are recognized in the following periods.

Event revenues are recognized on the basis of percentage of completion of the event on the balance sheet date if the result of the service activity can be reliably estimated. The result of the activity can be reliably estimated if the extent of the revenues can be reliably determined and if it is sufficiently likely that the economic benefit from the activity will accrue to the Company.

Trade accounts payable and other liabilities are shown with the amount due for repayment.

Differences due to rounding may occur.

7. Company acquisitions and discontinued operations

Acquisition of shares in cember.net:

On January 23, 2008, the Group acquired 80 percent of the shares with voting rights in EUDA Uluslararasi Danismanlik ve Bilisim Hizmetleri Limited Sirketi ("cember.net"), Istanbul, Turkey, the largest Turkish contact network. As a result of the put/call option for the remaining share, the economic property was already considered during the initial consolidation. The Group acquired and paid for a further 20 percent in February 2009 as agreed. The acquisition was recognized using the acquisition method. cember.net was initially consolidated on January 23, 2008.

The purchase costs totalling €4,673 thousand for 100 percent of the shares were partially settled in 2008 by two cash payments of €1,930 thousand and €250 thousand. The remainder of €2,180 thousand for the remaining 20 percent was paid in February 2009 in accordance with the terms of the agreement, and is shown as a liability in the annual financial statements for 2008. Costs of €313 thousand directly attributable to the acquisition were also capitalized.

Cash outflows due to the company acquisition of 100 percent of the shares:

in € thousand	
Cash acquired with the subsidiary	35
Cash outflows[1]	(4,673)
Cash outflows (net)	(4,638)

[1] Of this amount, €2,180 thousand was paid out in February 2009 for the remaining 20 percent of shares in cember.net shares.

cember.net has had a negative impact of €20 thousand on the Group's result for the period. The recognized goodwill is attributable to the anticipated synergies and other benefits resulting from combining the assets and activities of cember.net with the assets and activities of the Group.

The fair values of the identifiable assets and liabilities of cember.net correspond to the carrying amounts at the point of initial consolidation and are broken down as follows:

Initial consolidation in € thousand	01/23/08
Purchase price	4,360
Ancillary purchase costs	313
Total	4,673
Value of customer relations	(528)
Shareholders' equity cember.net	(73)
Deferred tax liabilities	106
Goodwill	4,178

Carrying amount in € thousand	12/31/08
Goodwill	4,178
Intangible assets	528
Depreciation	(26)
Carrying amount as of 12/31/2008	502
Deferred tax liabilities	106
Releasing 2008	(5)
Carrying amount as of 12/31/2008	101

Assets of €169 thousand and liabilities of €96 thousand were acquired as part of the acquisition of cember.net.

The customer relations are depreciated from the point at which the customers migrated from the cember.net platform to the XING platform.

Other disclosures in accordance with IFRS 3.70 cannot be provided due to the absence of IFRS figures.

Acquisition of shares in XING Hong Kong Ltd.

In January 2008, the Group topped up its shares in XING Hong Kong Ltd. (formerly: openBC China Ltd.) from 55 percent to 85 percent. The purchase price was €365 thousand, and was paid in cash. As part of the purchase price allocation process, the entire purchase price was allocated to goodwill due to the lack of identifiable major assets. The process of topping up the shares has indirectly resulted in an increase in the shareholding in openBC Network Technology Co. Ltd., Beijing, China.

Acquisition of shares in Neurona

The purchase price allocation of Neurona, acquired in the second quarter of 2007, which was included on a provisional basis in the six-month report and last quarter report, has now been completed.

The following overviews summarize the purchase price allocation:

Initial consolidation in € thousand	June 2007
Goodwill	8,070
Intangible assets (customer relations)	1,444
Intangible assets (contract relations)	60
Shareholders' equity Neurona	67
Deferred tax liabilities	(451)
Total	9,190

Carrying amount in € thousand	12/31/2007
Initial consolidation	9,190
Intangible assets (customer relations)	(40)
Deferred tax liabilities	12
Carrying amount as of 12/31/2007	9,162

Assets of €410 thousand as well as liabilities of €343 thousand were acquired as part of the acquisition of Neurona.

At the time of the acquisition, the fair values corresponded to the carrying amounts. The acquisition resulted in a cash outflow of €9,554 thousand.

Customer relations are depreciated after customer migration from the Neurona platform to the XING platform. The income and results of the newly acquired subsidiaries have not been disclosed due to considerations of materiality with the assumption that they belonged to the group of consolidated companies at the beginning of the financial year.

In financial 2008, the Group paid a subsequent amount of €511 thousand to the vendors in accordance with an earn-out agreement; this was included in liabilities as of December 31, 2007.

Acquisition of shares in eConozco

The purchase price allocation of eConozco, our initial acquisition in the first quarter of 2007, is summarized in the following overview:

Initial consolidation in € thousand	March 2007
Purchase price	1,200
Ancillary purchase costs	200
Total	1,400
Value of customer relations	(268)
Tax amortization benefit	(155)
Deferred tax liabilities	155
Goodwill	1,172

Goodwill in € thousand	12/31/2007
Initial consolidation	1,172
Subsequent costs	20
Carrying amount as of 12/31/2007	1,192
Intangible assets (customers relations)	383
Depreciations	(12)
Carrying amount as of 12/31/2007	371

Assets of €4 thousand and liabilities of €1 thousand were acquired as part of the acquisition of eConozco. At the time of the acquisition, the fair values corresponded to the carrying amounts. The acquisition resulted in a cash outflow of €1,400 thousand.

Customer relations are depreciated after customer migration from the eConozco platform to the XING platform.

Disposal of shares in First Tuesday AG, Zurich, Switzerland

On September 30, 2007, XING AG sold all shares in its wholly-owned subsidiary First Tuesday AG for a price of CHF 1.00. At the same time, XING AG acquired assets of €32 thousand and liabilities of €185 thousand of First Tuesday AG within the framework of the sale. The main reason behind the sale of the shares was to improve the Group’s cost structure.

The disposal of shares became effective at the point at which the contract was signed. First Tuesday AG was derecognized from the group of consolidated companies at that time. The goodwill of €236 thousand which arose as a result of the acquisition of First Tuesday AG had to be derecognized in the income statement. The outflow of cash and cash equivalents amounted to €1 thousand.

Overall, from the point of view of the Group, the following loss resulted from the sale of the shares:

in € thousand	12/31/2007
Proceeds	0
Derecognition of goodwill	(236)
Loss from the sale	(236)

With the exception of goodwill, no further disposals have to be reported in connection with the discontinued operation as a result of the acquisition and liabilities of First Tuesday AG, Zurich.

Result of the discontinued operation

The following sets out the result components attributable to the discontinued operation which were recognized in the income statement for the period from January 1 to December 31, 2007 (disposal on September 30, 2007).

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Revenues	0	22
Other operating income	0	197
Overall performance	0	219
Personnel expenses and freelance staff	0	(445)
Marketing costs	0	(66)
Other operating expenses	0	(353)
EBITDA	0	(645)
Depreciation	0	(464)
EBIT	0	(1,109)
Interest income and interest expenses (net)	0	(14)
EBT/Total result for period	0	(1,123)

Cash flows from the discontinued operation

The following sets out the cash flows attributable to the discontinued operation which were recognized in the cash flow statement for the period from January 1 to December 31, 2007 (disposal on September 30, 2007).

in € thousand	12/31/2008	12/31/2007
Cash flow from operating activities	0	(895)
Cash flow from investing activities	0	(460)
Cash flow from financing activities	0	0
Net cashflows, total	0	(1,355)

B Notes to the income statement

8. Service revenues

The revenues mainly comprise member subscriptions of the Premium members, Marketplace as well as Advertising. The revenues attributable to services can be broken down as follows as of December 31, 2007:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Premium-Memberships (incl. Premium-Groups)	28,108	17,838
Marketplace	3,964	374
Advertising	2,429	750
BestOffers (formerly Premium World)	344	22
Other	59	63
Total	34,904	19,047

9. Other operating income

The following shows the main items of other operating income:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Income from currency translation	113	18
Income attributable to other periods	32	67
Income from disposal of assets	14	0
Income from reversal of provision	0	347
Other	211	130
Total	370	562

10. Personnel expenses

The following table breaks down the personnel expenses including the costs of freelance staff:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Wages, salaries and other types of compensation	6,337	3,199
Personel expenses, stock option program	1,136	613
Contributions to social insurance (employer's contribution)	908	517
Training	207	41
Pensions costs (defined-contribution benefit plan)	153	79
Freelance staff	0	435
Other	66	0
Total	8,807	4,884

In 2008, freelance staff were not reclassified under personnel expenses (previous year: €435 thousand). The previous year figure includes the freelance staff who worked at XING AG on a long-term basis.

The social insurance contributions contain payments into the statutory pension insurance scheme of €437 thousand (previous year: €269 thousand).

11. Marketing expenses

Marketing expenses are broken down as follows:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Marketing costs	4,087	1,532
Events	132	87
Sales commission	128	24
Others	28	8
Total	4,375	1,651

12. Other operating expenses

The following table sets out the main items of other operating expenses:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
IT services, management services and services for new markets	2,790	1,557
Legal advice, audit and accounting fees	2,112	1,027
Server-Hosting, management and traffic	1,517	1,060
Payment costs	1,430	729
Travel, entertainment and other business expenses	497	330
Other	1,150	1,459
Total	9,896	6,162

13. Depreciation

Depreciation is recognized on a straight line basis over the probable service life of the corresponding asset, and is broken down as follows:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Depreciation on intangible assets		
Self-developed software	860	1,374
Purchase software	438	138
Other intangible assets	408	159
Depreciation on property, plant and equipment	558	459
Depreciation on finance leases (puchase losses)	162	49
Total	2,426	2,179

14. Financial income and financial expenses

Financial result consist of the following items:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Financial income	1,185	1,393
Financial expense	(20)	(49)
Total	1,165	1,344

15. Taxes on income

The result of taxes on income is broken down as follows:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Corporation tax (incl. solidarity surchage)	1,799	(333)
Trade tax	917	350
Deferred tax (income)	859	393
Additional tax payments for previous years	(3)	37
Other tax	14	0
Total	3,586	447

The following table shows the breakdown of deferred taxes in the income statement:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Capitalization of tax losses carried forward	1,280	513
Recognition of self-developed software	569	(193)
Other	(50)	13
Total	1,799	(333)

The following overview reconciles the expected tax result with the actual tax result:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Earnings before taxes (EBT)	10,904	4,936
Expected tax result	(3,519)	(1,993)
Tax effects attributable to		
Additional tax payments for previous years	3	(37)
Capitalization of tax losses carried forward from previous years	0	1,608
Deferred taxes not shown in relation to losses carried forward	0	(134)
Adjustment of the tax rate in Germany	0	238
Differnt foreign tax rates	(8)	(32)
Expenses not allowable for tax purposes	(62)	(97)
Actual tax result	(3,586)	(447)

The theoretical tax rate is determined as follows:

in %	12/31/2008	12/31/2007
Corporate tax incl. Solidarity surchage/effective	15.83	21..35
Trade tax rate	16.45	19.03
Average tax rate	32.28	40.38

Deferred taxes are broken down in the balance sheet as follows:

in € thousand	12/31/2008	12/31/2007
Tax losses carried forward	346	1,626
Recognition of self-developed software	(1,516)	(947)
Intangible assets (customers relations)	(588)	(576)
Other	(53)	(10)
Total	(1,811)	93

The deferred tax assets (€346 thousand, previous year: €1,626 thousand) and deferred tax liabilities (€2,157 thousand, previous year €1,533 thousand) were not netted.

The tax loss carry-forwards in Germany were completely consumed as of December 31, 2008. In Spain, there are loss carry-forwards of around €1.2 million (previous year: Germany around €3.7 million and Spain around €1.5 million). In Spain, loss carry-forwards can be carried forward and utilized for 15 years.

The deferred taxes for intangible assets (customer relations) have declined as a result of the depreciation of customer relations. However, a new client base (intangible asset) has resulted from the purchase of shares in cember.net; deferred taxes have been created in relation to this new client base (recognized directly in equity). These deferred taxes have to be reversed to the income statement when the client base is depreciated.

16. Earnings per share

Number of shares in circulation

Earnings per share define what part of the earnings generated in a particular period is attributable to one share. For this purpose, the consolidated result attributable to the shareholders of the parent company is divided by the weighted number of outstanding shares. This parameter is diluted by so-called potential shares (as in the case of XING AG, in relation to the stock options which have been issued).

In financial 2007, the number of shares in circulation was constant at 5,201,700.

The weighted number of shares in circulation for financial 2008 includes the shares which were bought back in the period between November 13 and December 31, 2008. The following table shows the shares which have been bought back and the weighted number of shares in circulation for financial 2008:

Consolidated results	Average number of shares	Undiluted earnings per share	Number of days	Weighted number of shares
12.11.08	0	5.201.700	317	4,505,298
13.11.08	1,500	5.200.200	1	14,208
14.11.08	1,300	5.198.900	3	42,614
17.11.08	1,800	5.197.100	1	14,200
18.11.08	1,400	5.195.700	1	14,196
19.11.08	1,944	5.193.756	1	14,191
20.11.08	250	5.193.506	1	14,190
21.11.08	650	5.192.856	3	42,564
24.11.08	2,250	5.190.606	1	14,182
25.11.08	2,300	5.188.306	1	14,176
26.11.08	2,475	5.185.831	1	14,169
27.11.08	2,565	5.183.266	1	14,162
28.11.08	3,210	5.180.056	3	42,459
01.12.08	2,496	5.177.560	1	14,146
02.12.08	3,346	5.174.214	1	14,137
03.12.08	3,338	5.170.876	1	14,128
04.12.08	3,619	5.167.257	1	14,118
05.12.08	2,092	5.165.165	4	56,450
09.12.08	3,897	5.161.268	1	14,102
10.12.08	3,971	5.157.297	1	14,091
11.12.08	2,617	5.154.680	1	14,084
12.12.08	2,400	5.152.280	3	42,232
15.12.08	3,854	5.148.426	1	14,067
16.12.08	3,754	5.144.672	1	14,056
17.12.08	3,826	5.140.846	1	14,046
18.12.08	3,729	5.137.117	1	14,036
19.12.08	3,817	5.133.300	3	42,076
22.12.08	4,200	5.129.100	1	14,014
23.12.08	3,995	5.125.105	6	84,018
29.12.08	4,359	5.120.746	3	41,973
Total	80,954	5.120.746	366	5,196,383

Undiluted earnings per share

Earnings per share are calculated as follows:

	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Earnings attributable to the shareholders of the parent company in € thousand	7,324	4,606
Earnings attributable to the shareholders of the parent company from continued operations in € thousand	7,324	5,729
Average number of shares	5,196,384	5,201,700
Undiluted earnings per share in €	1.41	0.89
Undiluted earnings from continued business divisions per share in €	1.41	1.10

Diluted earnings per share

In December 2006, the Company issued a total of 160,617 stock options to employees and senior executives of the Group. A further 51,178 stock options were issued in September 2007. In March 2008, 67,017 stock options were issued to employees. In November 2008, a further 85.404 stock options were issued to employees. Each stock option entitles the owner to take up one ordinary share or receive compensation in cash. For calculating diluted earnings, it has to be assumed that the options are serviced by means of shares in accordance with IAS 33.58.

The potential ordinary shares dilute earnings if the options are "in the money", i.e. if the exercise price is lower than the market price. The average price of a period is used for comparison with the market price. IFRS 2 Share-Based Payment is applicable for the stock options of XING AG. In this case, the issue price of the option must include the fair value which will accrue to the Company during the vesting period of the options as a result of the work of the employee. The fair value of the option upon granting is used for determining the fair value of the work of the employee accruing to the Company. This value declines over the course of the shut-out period.

Overview of the stock options and shut-out periods of XING AG:

Month of issue	Issue price in €	Number of options with lockout period 2 years	3 years	4 years
December 2006	30.00	80,115	40,058	40,058
September 2007	36.55	27,100	12,950	12,400
March 2008	40.60	33,509	16,754	16,754
September 2008	33.25	46,379	23,190	23,190

The average market price of the shares of XING AG during financial 2008 was €33.92 (average closing price). Accordingly, only the options granted in December 2006 and September 2008 can be considered to be diluting. However, all other options may have a diluting effect in subsequent periods. In the previous year, all stock options were considered to have a diluting effect for the purpose of calculating diluted earnings.

The options have the following fair values upon granting; these are spread over the shut-out period as work which still has to be provided (for the sake of simplification, the lower fair value is used for calculation purposes. This does not have any impact on earnings).

Month of issue	Fair value in return in €	Remaining value in € for non-performance during lockout period 2 years	3 years	4 years
December 2006	9.27 – 10.62	0.00	2.83 – 3.25	4.44 – 5.09
September 2008	9.38 – 10.82	9.21 - 10.65	9.27 – 10.71	9.30 – 10.74

Month of issue	Issue price of the option including the remaining value in € for non-performance during lockout period 2 years	3 years	4 years
December 2006	30.00	32.83 – 33.25	34.44 – 35.09
September 2008	42.46 – 43.90	42.52 – 43.96	42.55 – 43.99

Accordingly, only the stock options granted in December 2006, for which the shut-out period upon granting was two or three years, were lower than the average market price. Of the stock options granted at that time, the following have not yet expired:

Month of issue	Number of non-lapsed share options with lockout period 2 years	3 years
December 2006	54,406	27,203

Using the "treasury stock method", the dilution effect is calculated as follows:

- For the 54,406 options whose shut-out period has expired:
  Proceeds received upon conversion of the options: €1,632,180
  Theoretically repurchased shares: 48,119 shares
  Difference in relation to the number of options: 6,287 shares

- For the 27,203 options whose shut-out period is still 11 months:
  Proceeds received upon conversion of the options: €898,787
  Theoretically repurchased shares: 26,497 shares
  Difference in relation to the number of options: 706 shares

For calculating diluted earnings per share, it is necessary to use 6,993 more shares than the figure used for calculating undiluted earnings.

Diluted earnings per share are accordingly as follows:

	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Share earnings attributable to shareholders of the parent Company in € thousand	7,324	4,606
Share earnings attributable to shareholders of the parent Company from continued operations in € thousand	7,324	5,729
Average number of share	5,203,377	5,379,432
Diluted earnings per share in €	1.41	0.86
Diluted earnings from continued operations per share in €	1.41	1.07

C Notes to the balance sheet

17. Non-current assets

Impairment tests for goodwill and intangible assets with indefinite economic service life

For the purpose of checking the value, the goodwill acquired as part of business combinations has been allocated to the following three cash generating units (CGU) which are part of the reported segment:

- subscriptions
- eCommerce
- advertising

The goodwill has been allocated to the cash generating units on the basis of the revenue distribution formula which resulted from the revenues of the planning model:

in € thousand	12/31/2008
Subscriptions	11,936
eCommerce	711
Advertising	1,176
Total	13,822

The examination of the intrinsic value did not lead to a value dimination.

Cash-generating unit subscriptions

The recoverable amount of the cash-generating unit subscriptions is based on the cash flow forecasts of the budget for 2009 approved by management. For the years 2010 - 2013, the budget for 2009 has been extrapolated on the assumption of an average revenue growth of 29.4 percent. The revenue growth is based on the existing client base which will achieve viral growth over the next few years. The allocation of the budgeted costs to the CGUs has led to the following result for the CGU subscriptions:

- Marketing and technical development activities for the platform estimated as 0 percent,
- Personnel expenses and travelling expenses estimated as 50 percent and
- IT operation and cost of payments estimated as 93 percent.
- The remaining budgeted cost items were fully included in the calculation.
- Administration and engineering costs which cannot be completely allocated to a single cash generating unit are split on a pro-rata basis over the units on the basis of the revenue formula.

Based on the assessment of the Executive Board, cost growth in the period 2010 to 2013 is expected to be 5 percent lower than revenue growth in the business model. Because management was not able to make a reliable estimate for the infinity assessment in the business model of the Company due to the lack of comparison objects, a growth factor of 0 percent has been assumed for considerations of prudence. The discount factor for taxes used for the cash flow forecasts is 12.1 percent.

Cash-generating unit eCommerce

The recoverable amount of the cash-generating unit eCommerce is based on the cash flow forecasts of the budget for 2009 approved by management. For the years 2010 – 2013, the budget for 2009 has been extrapolated on the assumption of constant revenues. Because the eCommerce segment has not yet been established, the Company does not have any reliable estimates for the infinity assessment. Accordingly, a growth factor of 0 percent has again been assumed due to considerations of prudence. The discount factor before tax used for the cash flow forecasts is also 12.1 percent.

Cash-generating unit advertising

The recoverable amount of the cash-generating unit advertising is based on the cash flow forecasts of the budget for 2009 approved by management. For the years 2010 – 2013, the budget for 2009 has been extrapolated on the assumption of constant revenues. Because the advertising segment is also not yet established, the Company does not have any reliable estimates for the infinity assessment. Accordingly, a growth factor of 0 percent has again been assumed. The discount factor before tax used for the cash flow forecasts is again 12.1 percent.

Sensitivity of the assumptions

Management is of the opinion that a change in one of the fundamental assumptions made for determining the value in use of the cash generating units, which is fundamentally possible on the basis of a reasonable assessment, could not result in the carrying amount of the cash generating unit significantly exceeding the recoverable amount of the cash generating unit.

As of the reference date, the intangible assets comprise brand rights, the customer base, purchased software as well as self-developed software and goodwill.

As of the balance sheet date, the carrying amounts of the acquired and self-developed software were €3,821 thousand (previous year: €307 thousand) and €4,696 thousand (previous year: €2,934 thousand) respectively. Further development of payment processing was one of the key aspects in 2008. Purchased software of €3,560 thousand was capitalized in this respect.

The economic service life of the XING platform was defined as 5 years at the beginning of financial 2008. The remaining service life of the self-developed web site is 48 months. The development costs in the Group recognized in the income statement amounted to €1,365 thousand (previous year: €912 thousand). Development costs recognized in the income statement under personnel expenses amounted to €1,162 thousand (previous year: €365 thousand).

The following table shows the development in intangible assets in € thousand:

Carrying amounts	Other intagible assets	Purchased software	Self-developed software	Goodwill	Total
Balance 01/01/2007	202	297	1,869	254	2,622
Disposal	0	0	0	(236)	(236)
Additions	2,236	148	2,439	9,262	14,085
Depreciations	(384)	(138)	(1,374)	0	(1,896)
Balance 01/01/2008	2,054	307	2,934	9,280	14,575
Disposal	0	0	0	0	0
Additions	692	2,598	2,622	4,543	10,455
Reclassification	0	1,354	0	0	1,354
Depreciations	(408)	(438)	(860)	0	(1,706)
Balance 12/31/2008	2,338	3,821	4,696	13,823	24,678

AT cost	Other intagible assets	Purchased software	Self-developed software	Goodwill	Total
Balance 01/01/2007	241	380	2,262	254	3,137
Disposal	0	0	0	(236)	(236)
Additions	2,236	148	2,439	9,262	14,085
Balance 01/01/2008	2,477	528	4,701	9,280	16,986
Disposal					0
Additons	692	1,062	2,622	4,543	10,747
Reclassification	0	1,354	0	0	1,354
Balance 12/31/2008	3,169	3418	7,323	13,823	28,795

Depreciation	Other intagible assets	Purchased software	Self-developed software	Goodwill	Total
Balance 01/01/2007	39	83	393	0	515
Additions	384	138	1,374	0	1,896
Balance 01/01/2008	423	221	1,767	0	2,411
Additions	408	438	860	0	1,706
Reclassification	0	1,062	0	0	1,062
Balance 12/31/2008	831	659	2,627	0	4,117

The goodwill as of December 31, 2008 includes amounts of €8,070 thousand (Neurona) and €1,192 thousand (eConozco) from the previous year. Goodwill has also increased as a result of the acquisition of cember.net (€4,178 thousand) and XING Hong Kong Ltd. (€365 thousand).

In financial 2008, other intangible assets included carrying amounts of customer relations of Neurona (€1,263 thousand), cember.net (€515 thousand) and eConozco (€308 thousand) and sundry other intangible assets (€252 thousand).

The net currency differences attributable to intangible assets arising from the currency translation of subsidiaries in Asian countries are considered to be of a non-material nature.

Property, plant and equipment as of December 31, 2008 consisted of EDP hardware and other operating and business equipment (€1,897 thousand; previous year: €2,487 thousand). In 2008, an infrastructure project was reclassified from EDP hardware to purchased software (€1,354 thousand).

The following table shows the development in property, plant and equipment in the financial year 2008 in € thousand:

Carrying amounts	Technical equipment and machinery	IT hardware and other business equipment	Total
Balance 01/01/2007	12	970	982
Additions	0	2,017	2,017
Depreciation	(12)	(500)	(512)
Balance 01/01/2008	0	2,487	2,487
Additions	0	1,193	1,193
Disposal	0	0	0
Reclassification	0	(1,062)	(1,062)
Depreciations	0	(720)	(720)
Balance 12/31/2007	0	1,897	1,897
XING AG	0	1,848	1,848
Neurona	0	39	39
eConozco	0	0	0
XING Network Technology (Beijing)	0	8	8
Euda	0	2	2
XING Switzerland	0	0	0
XING Hong Kong Limited	0	0	0
Balance 12/31/2008	0	1,897	1,897

AT cost	Technical equipment and machinery	IT hardware and other business equipment	Total
Balance 01/01/2007	37	1,221	1,258
Additions	0	2,017	2,017
Balance 01/01/2008	37	3,238	3,275
Additions	0	1,498	1,498
Disposal	0	(45)	(45)
Reclassification	0	(1,354)	(1,354)
Balance 12/31/2008	37	3,337	3,374

Depreciation	Technical equipment and machinery	IT hardware and other business equipment	Total
Balance 01/01/2007	25	251	276
Additions	12	500	512
Balance 01/01/2008	37	751	788
Additons	0	720	720
Reclassification			
Balance 12/31/2008	37	1,471	1,508

The net currency differences attributable to property, plant and equipment arising from the currency translation of subsidiaries in Turkey and Asia are considered to be of a non-material nature.

The carrying amount of leased property, plant and equipment is €111 thousand (previous year: 331 thousand).

As of the reference date, the other financial assets mainly comprise equity participations in the company "Kennst Du Einen" (€24 thousand), long-term deposits for payment systems (€5 thousand) as well as rent deposits (€14 thousand).

In the financial years 2007 and 2008, deferred tax assets and deferred tax liabilities were not netted as the criteria of IAS 12.71 were not satisfied.

18. Current assets

A carrying amount of €38 thousand (previous year: €20 thousand) was reported for inventories as of December 31, 2008.

In the same way as in the previous year, most of the receivables arising from services of XING AG which were shown as of the reference date December 31, 2008 were due within one year.

The tax refund claims relate mainly to taxes on unearned income.

The following table sets out the other assets:

in € thousand	12/31/2008	12/31/2007
Cost cut-off	865	190
Other assets	416	186
Total	1.281	376

Cash and cash equivalents and short-term deposits as of the reference date consisted of freely disposable cash at banks of €42,921 thousand (previous year: €37,843 thousand) and cash in hand of €1 thousand (previous year: €1 thousand).

The cash flow statement as of December 31, 2008 contains the freely disposable cash.

The current held-for-sale assets of the Group of €200 thousand comprise a 2.4 percent share of the subscribed capital of Plazes AG, Zurich, Switzerland; they are measured at cost of purchase because the fair value cannot be determined reliably. The sale was completed after the balance sheet date.

19. Shareholders' equity and minorities

Share capital

The share capital of the Company is unchanged compared with the previous year at €5,201,700.00, and consists of 5,201,700 no-par-value bearer shares.

Authorized capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital in full or in part and on one or more occasions by a total of up to €1,925,850.00 in the period until October 31, 2011, by issuing up to 1,925,850 new no-par-value registered shares against cash and/or non-cash contributions (authorized capital 2006). In the case of a capital increase against cash contributions, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude fractions from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that this is necessary to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the Company or subordinate Group companies in Germany or abroad can be granted subscription rights for new shares to the extent that they would be entitled if they exercised their options or conversion rights or the Company met its conversion obligations. The Executive Board is also authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders if the issue amount of the new shares, in accordance with sections 203 (1) and (2), 186 (3) sentence 4 AktG, is not significantly lower than the market price of the already listed shares of the same category and rights at the point at which the issue amount is definitively fixed by the Executive Board, and if the shares issued in accordance with section 186 (3) sentence 4 AktG in total do not exceed 10 percent of the share capital existing at the point at which the authorization is registered or – if lower – the share capital existing at the point at which the new shares are issued. Shares which have been sold or issued with the exclusion of subscription rights as a result of other authorizations with the direct or corresponding application of section 186 (3) sentence 4 AktG have to be offset in relation to the restriction. The subscription right of shareholders is excluded in the case of capital increases in return for non-cash contributions, and in particular in conjunction with the acquisition of companies or equity participations or assets. The Executive Board is authorized, with the approval of the Supervisory Board, to define the further contents of the share rights and the conditions of the equity issue.

The Executive Board is further authorized, with the approval of the Supervisory Board, to increase the share capital in full or in part and on one or more occasions by a total of up to €675,000 in the period until May 20, 2013, by issuing up to 675,000 new no-par value registered shares against cash and/or non-cash contributions (authorized capital 2008). In the case of a capital increase against cash contributions, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude fractions from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that this is necessary to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the Company or subordinate Group companies in Germany or abroad can be granted subscription rights for new shares to the extent that they would be entitled if they exercised their options or conversion rights or the Company met its conversion obligations.

The Executive Board is also authorized, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders if the issue amount of the new shares, in accordance with sections 203 (1) and (2), 186 (3) sentence 4 AktG, is not significantly lower than the market price of the already listed shares of the same category and rights at the point at which the issue amount is definitively fixed by the Executive Board, and if the shares issued in accordance with section 186 (3) sentence 4 AktG in total do not exceed 10 percent of the share capital existing at the point at which the authorization is registered or - if lower - the share capital existing at the point at which the new shares are issued. Shares which have been sold or issued with the exclusion of subscription rights as a result of other authorizations with the direct or corresponding application of section 186 (3) sentence 4 AktG have to be offset in relation to the restriction.

The subscription right of shareholders is excluded in the case of capital increases in return for non-cash contributions, and in particular in conjunction with the acquisition of companies or equity participations or assets. The Executive Board is authorized, with the approval of the Supervisory Board, to define the further contents of the share rights and the conditions of the equity issue.

Contingent capital

The share capital of the Company is contingently increased by €288,822.00 by issuing up to 288,822 new no-par value registered shares (contingent capital I 2006). The contingent capital I serves to ensure that subscription rights can be satisfied or stock options issued by the Company in the period until October 31, 2011 as part of the 2006 Stock Option Plan on the basis of the authorization granted by the shareholders' meeting on November 3, 2006. The contingent capital increase will only be implemented to the extent that stock options are issued, the holders of these stock options exercise their subscription rights for shares of the Company, and the Company does not offer treasury stocks or cash settlement. The shares are issued out of the contingent capital at the exercise price defined in accordance the resolution of the shareholders' meeting of November 3, 2006. The new shares participate in the profits from the beginning of the financial year for which, at the time at which the subscription right is exercised, no resolution of the shareholders' meeting has yet been adopted with regard to the appropriation of the cumulative profit.

The share capital of the Company is contingently increased by a total of €1,540,680.00 by issuing up to 1,540,680 new no-par-value registered shares (contingent capital II 2006). The contingent capital II serves exclusively to ensure that new shares can be issued to the holders of options or conversion rights granted by the Company or companies in which the Company holds a majority interest, either directly or indirectly, under the authorization resolution adopted by the shareholders' meeting on November 3, 2006. The new shares will be issued at the conversion or option price to be determined in accordance with this resolution. The contingent capital increase will only be implemented to the extent that the holders of the conversion or option rights take advantage of their conversion or option rights or comply with the conversion obligations arising from such debt instruments. Provided that they are created before the start of the general shareholders' meeting, the shares participate in profit from the start of the preceding financial year. Otherwise, they will participate in profit from the start of the financial year in which they are created.

The share capital of the Company is contingently increased by a total of €231,348 by issuing up to 231,348 new no-par-value registered shares (contingent capital 2008). The contingent capital 2008 serves exclusively to ensure that new shares can be issued to the holders of options or conversion rights granted by the Company or companies in which the Company holds a majority interest, either directly or indirectly, under the authorization resolution adopted by the shareholders' meeting on May 21, 2008.

The contingent capital increase is only carried out to the extent that the holders of the bonds exercise their conversion or option rights. Provided that they are created before the start of the general shareholders' meeting, the shares participate in profit from the start of the preceding financial year. Otherwise, they will participate in profit from the start of the financial year in which they are created.

Additional paid-in capital

The additional paid-in capital mainly comprises the premium from the cash capital increases carried out in previous years less the costs of procuring shareholders' equity incurred in this connection.

Other reserves

The other reserves include the effects attributable to the currency translation of the financial statements of foreign subsidiaries and the personnel expenses attributable to the stock options program.

Minorities

The minorities shown in the consolidated balance sheet and consolidated income statement relate to the shares of other shareholders in the shareholders' equity and net profit of XING Hong Kong Ltd. and openBC Network Technology Co. Ltd.

20. Non-current liabilities

Finance leases in relation to various IT hardware and servers have been taken out within the Group. These agreements run for periods of between 30 and 60 months. The leases can be extended, but do not contain a purchase option and also do not contain any value assurance clauses. Extensions can be agreed for further periods of six months. The current part of the lease liability as of December 31, 2008 relates to the repayment obligation of €122 thousand of the Company over the next twelve months (previous year: €160 thousand). The remaining part of the obligation has been shown as a non-current liability, and comprises an amount of €0 (previous year: €240 thousand).

The non-current deferred item relates to member subscriptions for future periods with a remaining term of more than one year as of the balance sheet date. The non-current deferred item amounted to €581 thousand as of December 31, 2008 (previous year: €540 thousand).

21. Current liabilities

Corporation tax liabilities and trade tax liabilities of €1,128 thousand (previous year: €393 thousand) and €1,267 thousand (previous year: €350 thousand) respectively are reported as of December 31, 2008.

By way of analogy with the situation in the previous year, the trade accounts payable of XING shown as of the balance sheet date December 31, 2008 are all due within one year. They amount to €1,393 thousand (previous year: €2,320 thousand).

The trade accounts payable are not interest-bearing, and in general are due in 60 days.

The deferred item relates to member subscriptions for future periods. Member subscriptions for future periods with a remaining term of less than twelve months are shown as current deferred items, and amount to €9,725 thousand (previous year: €6,380 thousand).

The other liabilities are shown in the amount due for repayment, and are broken down as follows:

in € thousand	12/31/2008	12/31/2007
Liabilites due to revenue tax	341	316
Liabilities due to wage and church tax	147	100
Liabilities due to social insurance	4	7
Liabilities due to personnel	1	213
Other	5,723	1,066
Total	6,216	1,702

The sundry other liabilities mainly comprise liabilities for the acquisition of the remaining 20 percent of cember.net (€2,180 thousand) as well as liabilities for bonusses and incentive payments to employees (€893 thousand). This item also includes liabilities for legal and consultancy fees (€309 thousand), further development of the platform (€255 thousand), marketing costs (€237 thousand) as well as various other liabilities (€1,849 thousand).

It is assumed that all other liabilities are due within one year.

D Segment reporting

Application of IFRS 8: Operating Segments

XING prepared segment reporting last year. As was the case in the previous year, the Group applied IFRS 8 "Operating Segments" before the point at which it came into force.

In accordance with IFRS 8, operating segments have to be defined on the basis of internal management of group entities whose operating results are regularly reviewed by the main decision maker in the company in order to enable decisions to be taken with regard to the allocation of resources to this segment and also with regard to assessing the profitability of the segment. On the other hand, in accordance with the previous standard (IAS 14: Segment Reporting), companies were required to identify two segment levels (operating segments and geographical segments) using the "risks and rewards approach", whereby the management information system was used by persons in key positions of the company as the starting point for identifying these segment levels. Accordingly, the application of IFRS 8 has resulted in a change in the process of identifying the segments of the Group which are subject to reporting requirements.

The accounting policies applicable for the segment which is subject to reporting requirements are consistent with the disclosures in the section "Summary of major accounting policies" in these Notes.

Segments which are subject to reporting requirements

XING AG has only one segment which is subject to reporting requirements, with the areas Premium Memberships (subscriptions), Advertising, eCommerce, BestOffers and others.

The business area "Premium Membership" mainly comprises subscription memberships and revenues from Premium groups.

Advertising revenues are reported in the "Advertising" business area. Marketplace revenues are mainly reported in the "eCommerce" business area. The "BestOffers" business area comprises revenues from BestOffers. In 2008, "Premium World" was renamed "BestOffers".

The "Other" business area reports other operations of XING AG which are of minor significance from the point of view of the Group.

Segment revenues

The segment revenues of the period under review are shown in the following tables:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Premium Membership	28,108	17,838
Advertising	2,429	750
eCommerce	3,964	374
BestOffers	344	22
Other	59	63
Total	34,904	19,047

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Germany	28,913	15,235
Rest of Europe	5,081	3,240
Asia	266	201
America	384	356
Other	260	15
Total	34,904	19,047

Non-current assets

The non-current assets broken down for the period under review are shown in the following table:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Germany	10,504	6,053
Rest of Europe	15,724	11,315
Asia	391	26
Total	26,619	17,394

E Cash and cash equivalents

As of December 31, 2008, cash and cash equivalents amounted to €42,922 thousand (previous year: €37,844 thousand), and consisted of cash and cash equivalents from Germany (€42,847, thousand, previous year: €37,732 thousand), China (€47 thousand; previous year: €74 thousand), Spain (€1 thousand; previous year: €38 thousand), Turkey (€14 thousand; previous year: €0 thousand) and Switzerland (€13 thousand; previous year: €0 thousand).

Cash and cash equivalents consist mainly of cash at banks, on which interest is earned at variable rates for overnight deposits.

Movements in cash and cash equivalents of the Group are shown in the consolidated cash flow statement. Other cash flows included in the consolidated cash flow statement comprise the following components in the period under review:

in € thousand	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
Interest paid	(20)	(49)
Interest received	1,185	1,359
Financial result	1,165	1,310

Non-cash-effective transactions were mainly attributable to the acquisition of the subsidiary cember.net (see point 7).

F Other disclosures

Contingent liabilities and financial obligations

The decision as to whether an agreement includes a lease is based on the financial content of the agreement at the point at which this agreement is taken out, and involves an assessment as to whether fulfillment of the contractual agreement depends on the use of a certain asset or of certain assets, and whether the agreement confers a right to use the asset.

Operating leases have been taken out in the Group for business premises and staff apartments. The leases have an average term of between three and four years, and cannot be extended.

Future minimum lease payments existing as of December 31, 2008 in accordance with the operating leases which cannot be terminated are shown in the following:

in € thousand	12/31/2008	12/31/2007
Less than two years	367	437
More than two years and less than five years	2,329	67
More than five years	0	0
Total	2,696	504

The Group recognized lease payments of €225 thousand in the income statement (previous year: €211 thousand). The Group has taken out finance leases for various items of IT hardware and servers. These leases have terms of between 30 and 60 months. They each have an extension clause, but do not contain any purchase options or value assurance clauses. They can be extended for further periods of six months.

The future minimum lease payments attributable to finance leases as of December 31, 2008 are shown in the following:

in € thousand	Minimum payment 12/31/ 2008	Present value of payments 12/31/2008	Minimum payments 12/31/2007	Present value of payments 12/31/2007
Less than one year	154	122	184	160
More than one year and less than five years	0	0	332	240
Minimum lease payment, total	154	122	516	400
Amounts constituting financing costs	(32)	0	(116)	0
Present value of minimum lease payments	122	122	400	400

Principles of financial risk management

The financial instruments of the Group mainly comprise cash and cash equivalents as well as receivables from services attributable to the Group's operations. The Group finances its operations mainly by way of the advance payments of its premium members and also by way of equity funding. The Company does not hold any further financial instruments which involve major financial risks.

Capital risk management and net debt

The Group manages its capital using the equity ratio with the aim of optimizing returns – where applicable also by way of using debt. This ensures that all companies in the Group are able to operate on the basis of a going concern assumption. The Group monitors its capital by means of the equity ratio.

The capital structure of the Group consists mainly of shareholders' equity. The equity ratio as of December 31, 2008 was 69.8 percent (previous year: 77.2 percent. As shown in the following, the cash and cash equivalents and short-term deposits of the Group were considerably higher than the liabilities which existed as of the reference date:

in € thousand	12/31/2008	12/31/2007
Non-current liabilities	(581)	(780)
Current liabilities	(19,851)	(11,305)
Cash and cash equivalents and current deposits	42,922	37,844
Surplus cash and cash equivalents	22,490	25,759

Categories of financial instruments

The following categories of financial instruments existed as of the reference date:

Carrying amount in € thousand	12/31/2008	12/31/2007
Financial assets		
Securities/equity participations (available for disposal)	200	200
Non-current receivables (loans and receivables)	44	132
Current receivables attributable to services (loan and receivables)	3,345	2,121
Cash and cash equivalents and current deposits (loan and receivables)	42,922	37,844
Financial liabilities		
Non-current liabilities attributable to finance leases	0	240
Current liabilities attributable to finance leases	122	160
Current trade accounts payable	1,393	2,320

The investment was measured at amortized cost and was sold at cost after the reference date. There is no public market for these securities.

The current and non-current receivables as well as the cash and cash equivalents and current deposits are also shown at amortized costs of purchase.

Liabilities attributable to finance leases are shown at amortized cost of purchase. Interest expenses of €20 thousand (previous year: €45 thousand) are shown in the income statement in this connection.

The other current liabilities are shown at amortized cost of purchase.

For all financial assets and liabilities, the fair values, to the extent that they can be determined, correspond to the carrying amounts shown in the balance sheet.

As was the case in the previous year, the purpose of financial assets in the financial year was not to act as security for liabilities of the Group.

As was the case in the previous year, the Group did not use any hedges in the course of the financial year to hedge financial assets or liabilities or to hedge cash flows.

Exchange rate and interest risk management

At present, the Group is not exposed to any major exchange rate and interest risks. Almost all revenues are generated in Euros. With the exception of liabilities arising from finance leases, there are no interest-bearing liabilities.

On average, main investments in securities during the year DB Platinum IV Corporate Cash and DWS Institutional Money plus earned between 3.79 percent (plus a tax-free proportion) (previous year: 3.60 percent) and 4.39 percent (previous year: 4.12 percent) during the calendar year 2008.

Cash at banks earned on average 2.30 percent (previous year: 3.67 percent) (time deposits).

Other price risks

The Group is exposed to other price risks mainly as a result of securities which, as was the situation in the previous year, exclusively consisted of a strategic investment in Plazes AG, Zürich, Switzerland, as of the reference date. Because the price risks attributable to the securities are not of material importance for the Group, there are no special monitoring and hedging measures for the securities. In the financial statements, the securities are classified as held for sale, and were sold for their carrying amount after the closing date.

Analysis of market risks

Because the Group is not exposed to any major market risks (currency, interest rate and other price risks), more extensive sensitivity analyses are not carried out in relation to possible market risks.

With regard to consolidated earnings before tax, a change in interest rates has an impact on interest income (as a result of the impact on variable-income financial assets). If interest rates had increased by 100 basis points, interest income would have changed by €405 thousand (previous year: €415 thousand) on the basis of an average investment volume of €40,482 thousand (previous year: €41,535 thousand).

Default risk management

Default risk is defined as the risk of a loss to the Group which is incurred if a contracting party fails to meet its contractual obligations.

As was the case in the previous year, major financial assets existed as of the reference date only in the form of subscription claims against the members of the XING platform (receivables from services) as well as cash held at banks (cash and cash equivalents and current deposits).

With regard to the subscription receivables, the risk is reduced by the fact that the receivables consist of a large number of relatively minor amounts, of less than €1 thousand in each case. As of the reference date, the remaining term of virtually all these receivables was less than one month, and the receivables totaled €2,081 thousand (previous year: €2,121 thousand). The maximum default risk is in relation to the carrying amount of the receivable. In addition, XING AG has receivables of €1,264 thousand due from other debtors. These receivables were paid after the balance sheet date.

Reputable commercial banks with an optimum rating are used for investment and payments relating to cash at banks. The remaining term of the cash at banks is less than three months.

The Group believes the current default risks to be low. The following defaults and impairments in relation to receivables from services were recognized last year:

in € thousand	12/31/2008	12/31/2007
Total amount of services receivable	3,633	2,289
Defaults	(278)	(144)
Impairments in relation to receivable	(10)	(24)
Service receivable according to balance sheet	3,345	2,121

In financial 2008, an amount of €14 thousand was reversed in relation to allowances on receivables (previous year: €0 thousand) as well as an addition of €0 thousand to the allowances (previous year: €4 thousand). There was essentially no income from payments relating to receivables from services which had previously been eliminated.

As was the case in the previous year, there were no defaults in relation to cash and cash equivalents and current deposits.

There are no major risk concentrations.

Liquidity risk management

The Group manages liquidity risks by holding appropriate reserves and also by constantly monitoring the forecast and actual cash flows. The maturities of financial assets and liabilities are constantly monitored.

As a result of the current cash at banks, there are no major liquidity risks. There are no credit lines with banks, nor are any such lines required at present.

Disclosures concerning the stock options program

Pursuant to a resolution of the meeting of shareholders of the Company of November 3, 2008, contingent capital of up to €288,822.00 was created for the purpose of a staff participation program. 160,617 stock options were subsequently issued to the executive board and employees of XING within the framework of the "Stock Option Plan 2006" (AOP 2006).

A further 51,178 option rights were granted to selected employees on September 8, 2007.

The stock option plan grants an option to take up shares of the Company, and specifies a fixed term of five years. Each option entitles the holder to take up one share of the Company, whereby the subscription right of shareholders is accordingly excluded. The main regulations of the AOP 2006 are summarized as follows:

Within the framework of the AOP 2006, stock options may be issued exclusively to members of the Executive Board of XING AG, to members of management of subsidiaries as well as selected senior executives, other key personnel and other employees of XING AG and its subsidiaries.

The stock options grant the holder the right to take up bearer shares with voting rights of XING AG. Each stock option entitles the owner to take up one share of XING AG in return for paying the exercise price. The option conditions may specify that the Company, in order to fulfil its obligations relating to the taking up of shares, may grant to the beneficiary treasury stocks or a cash payment instead of new shares using the contingent capital.

The subscription rights provided by the stock options can only be exercised after the end of a lock-out period. For 50 percent of the granted stock options, the lock-out period is at least two years; it is at least three years for a further 25 percent of the granted stock options and at least four years for the remaining 25 percent. The lock-out period commences on the day after the day on which the corresponding stock options are issued. The subscription rights can be exercised within a period of up to five years starting on the day on which the stock option is issued.

The exercise price for a share of the Company corresponds to the arithmetic mean of the closing auction prices of the Company's shares in Xetra trading (or on an equivalent successor system) on the Frankfurt Stock Exchange on the last twenty market days before the corresponding stock option is issued (the day on which the beneficiary's declaration that he intends to take up the shares is accepted by the Company or by the credit institution engaged by the Company for processing purposes). Alternatively, the exercise price for stock options which are issued before the start of trading for shares within the framework of the IPO of the Company corresponds to the price at which the shares of the Company are placed within the framework of the IPO.

Subscription rights in relation to the stock options can only be exercised if the closing auction price of the shares of the Company in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange has outperformed the SDAX index (or a comparable successor index) on at least ten successive trading days within one year before the day on which the subscription right is exercised.

In 2008, two further stock option programs were adopted subject to the same terms as in 2007. Out of the first stock option program, 67,017 option rights were issued to employees and senior executives on March 7; of this figure, 62,763 option rights have not expired.

Out of the second stock option program, a further 85,404 option rights were issued to employees and senior executives on November 9, 2008; of this figure, 80,387 option rights have not expired.

The cost of the stock-based compensation shown in the income statement for the period ending December 31, 2008, amounted to €1,136 thousand (previous year: €613 thousand).

The weighted average exercise price is €33.25 (previous year: €36.55). The weighted average contractual term for the stock options outstanding as of December 31, 2008 is 3.2 years (previous year: 3.7 years).

The weighted average fair value for the stock options outstanding as of December 31, 2008 is €9.93 (previous year: €13.35).

The calculations as of the reference date were based on the parameters shown in the following overview:

	12/31/2008	12/31/2007	12/31/2006
Annual fluctuation of employees eligible for options	5.0%	5.0%	5.0%
Expected term of option rights (in years)	3.5 – 4.5	3.5 – 4.5	3.5 – 4.5
Expected dividend yields	0.0%	0.0%	0.0%
Riskless interest rate (corresponding to the expected term of option rights)	3.81% – 3.83%	4.03% – 4.07%	3.9%
Share price on 09/09/2008 09/07/2007 12/06/2006	32.00 €	36.74 €	30.00 €
Strike price	33.25 €	36.55 €	30.00 €
Expected volatility of the share price	35.0%	40.0%	35.0%
Expected volitility of the underlying stock index	20.0%	17.0%	14.6%
Expected correlation between stock index and share prices	20.0%	30.0%	35.0%

The figure shown for the expected volatility corresponds to the average historical volatility of XING shares as well as comparable shares in the period September 10, 2007 to September 9, 2008. This expected volatility has been rounded to 5 percentage points.

The expected volatility of the SDAX performance corresponds to the historical volatility in the same period.

The expected correlation corresponds to the historical correlation in the period September 10, 2007 to September 9, 2008. As was the case with volatility, XING shares and comparable shares were used as the basis of determining the correlation. This correlation was also rounded to 5 percentage points.

The comparable shares are the following securities: Meetic S.A. (WKN A0HFYP), DADA S.P.A. (WKN 615264) as well as AUFEMININ.COM S.A. (WKN 625944).

Related-party disclosures

In the financial year, Mr. William Liao, member of the Supervisory Board of XING AG, provided consultancy services with regard to business development and corporate strategy planning. A fee of €115 thousand was paid for these services (previous year: €100 thousand). As of December 31, 2008, liabilities attributable to these services amounted to €115 thousand (previous year: €0 thousand).

epublica GmbH, Hamburg, which has developed the software for the XING platform and which is a shareholder of XING AG, provided services in the amount of €2,130 thousand in the year under review (previous year: €2,127 thousand). As of December 31, 2008, liabilities attributable to these services amounted to €154 thousand (previous year: €154 thousand).

Number of employees

XING employed an average of 145 persons (previous year: 101) during the financial year from January 1, 2008 to December 31, 2008. As of December 31, 2008, 174 persons (previous year: 109) including three members of the Executive Board (previous year: 3) were employed in the Group.

Members of the Supervisory Board

The following persons served on the Supervisory Board of the Company in the year under review:

Dr. Neil Vernon Sunderland, Investment Advisor, Chairman, Zumikon, Switzerland
Other supervisory board mandates/memberships in control bodies:

- Chairman of the Administrative Board and Chairman of Management of Adinvest AG, Zumikon, Switzerland, as well as Adinvest Holding AG, Zumikon, Switzerland,
- Member of the Advisory Board of Terra Firma Capital Partners, London, United Kingdom,
- Consulting Partner of Montreux Equity Partners, Menlo Park, United States,
- Member of the Administrative Board of Elsevier Holdings SA, Neuchâtel, Switzerland; Elsevier Finance SA, Neuchâtel, Switzerland; Elsevier Properties SA, Neuchâtel, Switzerland,
- Chairman of the Board of Adconion Media Group, Limited, London, United Kingdom,
- Compared with 2007, Dr. Neil Vernon Sunderland is no longer the Deputy Chairman of the Administrative Board of 3T Supplies AG, Schwyz, Switzerland, and no longer acts as a consultant partner of Schirm Private Equity LP, the United States.

Dr. Eric Archambeau, Investment Advisor, Deputy Chairman and Senior Partner of Wellington Partners, Brussels, Belgium
Other supervisory board mandates/membership of control bodies:

- Member of the Board of BridgeCo Inc., Los Angeles, United States; KIKA Medical Inc, Boston, United States and Industrial Origami Inc., San Francisco, United States
- Member of the Board of Travel Horizon B.V., Amsterdam, the Netherlands, Orderwork LTD, London, United Kingdom

William Liao, Advisor, Weissbad, Switzerland (up to December 15, 2008)
Other supervisory board mandates/memberships in control bodies: None

Dr. Sunderland, Dr. Archambeau and Mr. Liao have been members of the Advisory Board of OPEN Business Club GmbH since it was set up in 2005. The Advisory Board was replaced by the Supervisory Board when the company was converted into an Aktiengesellschaft (joint stock corporation) in 2006.

Lars Hinrichs, Advisor, Hamburg, Germany (since January 16, 2009)
Other supervisory board mandates/memberships in control bodies: None

The members of the Supervisory Board receive compensation of €2 thousand per day of attendance for attending each Supervisory Board meeting (previous year: €2 thousand). The members of committees of the Supervisory Board additionally receive compensation of €1 thousand for each day of attendance for attending each committee meeting (previous year: €1 thousand).

For each occasion on which he attends a meeting of the Supervisory Board, the Chairman of the Supervisory Board receives compensation of €4 thousand per meeting day (previous year: €4 thousand), and he receives compensation of €3 thousand for each on which he attends a committee meeting (previous year: €3 thousand).

The total compensation of a member of the Supervisory Board for attending Supervisory Board and committee meetings must not exceed €75 thousand per member per financial year (previous year: €75 thousand). The total compensation of the Chairman of the Supervisory Board must not exceed €150 thousand per financial year (previous year: €150 thousand).

Further information is included in the compensation report, which is an integral part of the management report.

Members of the Executive Board

The following persons were appointed as members of the Executive Board last year:

Lars Hinrichs, CEO, Hamburg
Other supervisory board mandates/memberships in control bodies: None

Eoghan Jennings, CFO, Businessman, Hamburg
Other supervisory board mandates/memberships in control bodies: None

Burkhard Blum, COO, Assessor, Lawyer, Hamburg
Other supervisory board mandates/memberships in control bodies: None

Lars Hinrichs terminated his activity on the Executive Board on January 15, 2009. Dr. Stefan Gross-Selbeck became the new Chairman of the Executive Board.In February 2009, Michael Otto was appointed to the Executive Board as Chief Technology Officer.

Further information is included in the compensation report, which is an integral part of the Group management report.

Auditor's fees

In financial year 2008, costs of €184 thousand (previous year: €177 thousand) were recognized for the audit of the financial statements for the period ending December 31, 2008. The fees for other consultancy services amounted to €51 thousand (previous year: €36 thousand). Fees for other services of €18 thousand (previous year: €34 thousand) were recognized as costs.

Consolidated financial statements

In its capacity as the parent company, XING AG prepares consolidated financial statements for the period ending December 31, 2008 in accordance with the accounting principles of the International Financial Reporting Standards (IFRS). These consolidated financial statements are submitted to the electronic Federal Gazette.

Notifications received in accordance with section 21 WpHG

On December 12, 2006, cominvest Asset Management GmbH, Frankfurt am Main, notified the Company that its shares of the voting rights of the Company exceeded the threshold of 5 percent on December 11, 2006, and that it now holds 7.72 percent.

On December 13, 2006, Deutsche Bank AG, Frankfurt am Main, notified the Company that its subsidiary DWS Invest GmbH, Frankfurt am Main, exceeded the threshold of 5 percent of the voting rights in the Company on December 7, 2006, and now holds 7.95 percent.

On December 15, 2006, epublica GmbH, Hamburg, notified the Company that, on December 5, 2006, it was entitled to more than 5 percent of the voting rights in the Company, whose shares on that date were admitted to trading for the first time on an organized market, and that its share in voting rights at that time was 8.07 percent. The share in voting rights fell below the level of 5 percent on December 11, 2006, and is now 3.23 percent.

On December 15/19, 2006, Mr. William Liao notified the Company that, on December 5, 2006, he was entitled to more than 5 percent of the voting rights in the Company, whose shares on that date were admitted to trading for the first time on an organized market, and that his share in voting rights at that time was 9.44 percent.

On December 19, 2006, LH Cinco Capital GmbH, Hamburg, notified the Company that, on December 5, 2006, it was entitled to more than 25 percent of the voting rights in the Company, whose shares on that date were admitted to trading for the first time on an organized market, and that its share of voting rights at that time was 28.33 percent.

On December 19, 2006, Mr. Lars Hinrichs notified the Company that, on December 5, 2006, he was entitled to more than 25 percent of the voting rights in the Company, whose shares had been admitted on that date to trading for the first time on an organized market, and that his share of voting rights at that time was 28.34 percent. Of this figure, he was entitled to voting rights of 28.33 percent in accordance with section 22 (1) sentence 1 no. 1 WpHG.

On January 17, 2007, Wellington Partners III Management Ltd. Jersey, Channel Islands, notified the Company that its share of the voting rights of the Company amounted to 13.66 percent on December 5, 2006.

On January 17, 2007, Wellington Partners III Management Ltd. Jersey, Channel Islands, notified the Company that its share of voting rights of the Company fell below the threshold of 10 percent on December 11, 2006, and now amounts to 7.85 percent.

On June 12, 2007, Absolute Capital Management Holdings Limited, George Town, Cayman Islands, notified the Company that its share of the voting rights fell below the threshold of 3 percent on June 5, 2007, and now amounts to 2.89 percent.

On August 10, 2007, Tracer Capital Offshore Fund Ltd., Georgetown, Cayman Islands, notified the Company that its share of the voting rights in the Company exceeded the threshold of 3 percent on July 31, 2007, and now amounts to 3.12 percent.

On May 16, 2008, Farringdon I (FFI), Luxembourg, Duchy of Luxembourg, notified the Company that the share of the voting rights in the Company held by Farringdon I (FFI), Luxembourg, Duchy of Luxembourg, Farringdon Capital Management Switzerland SA (FCMS), Geneva, and Farringdon Capital Management SA (FCML), Luxembourg, Duchy of Luxembourg, exceeded the threshold of 3 percent on May 12, 2008, and now amounts to 3.62 percent.

On June 20, 2008, Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, notified the Company that the share of the voting rights in the Company held by Oppenheimer Funds, Centennial, Colorado, USA, fell below the threshold of 3 percent on June 16 and now amounts to 2.78 percent.

On October 8, 2008, Tracer Capital Offshore Fund Ltd., Camana Bay, Cayman Islands, notified the Company that its share of the voting rights in the Company fell below the threshold of 3 percent on September 5, 2008, and now amounts to 2.65 percent.

On October 13, 2008, Farringdon I (FFI), Luxembourg, Duchy of Luxembourg, notified the Company that its share of the voting rights in the Company exceeded the threshold of 5 percent on October 8, 2008, and now amounts to 5.21 percent.

On October 13, 2008, Tracer Capital Management L. P., New York, United States, notified the Company that its share of the voting rights in the Company fell below the threshold of 3 percent on October 8, 2008, and now amounts to 2.66 percent.

On November 24, 2008, Tracer Capital Management L. P., New York, United States, notified the Company that its share of the voting rights in the Company exceeded the threshold of 3 percent on June 27, 2008, and now amounts to 3.16 percent.

On November 24, 2008, TCM and Company LLC, New York, United States, notified the Company that its share of the voting rights in the Company fell below the threshold of 3 percent on October 8, 2008, and now amounts to 2.66 percent.

On December 10, 2008, Fidelity International, Tadworth, United Kingdom, on behalf of FIL Investment Management Limited, Kent, England, notified the Company that its share of the voting rights in the Company exceeded the threshold of 3 percent on December 5, 2008, and now amounts to 3.18 percent.

On December 11, 2008, Jabre Capital Partners SA, Geneva, Switzerland, notified the Company that its share of the voting rights in the Company exceeded the threshold of 3 percent on November 27, 2008, and now amounts to 3.01 percent.

On December 22, 2008, Mr. Oliver Jung, Pfäffikon, Switzerland, notified the Company that his shares with voting rights in the Company exceeded the threshold of 3 percent on December 19, 2008, and that his holding is now 4.16 percent.

Details of directors' dealings in accordance with section 15a WpHG can be viewed on the Company's web site under the heading "Investor relations".

Statement with regard to the Corporate Governance Code

The statement which has to be provided in accordance with section 161 AktG has been provided, and has been made accessible to the shareholders by means of being published.

Major events after the balance sheet date

Events after the balance sheet which have a major impact on the net assets, financial position and results of operations of XING are detailed in the following:

In January 2009, XING AG acquired the New York socialmedian Inc., a leading developer in the field of online news networks. The price, consisting of cash and shares, is €2.9 million plus a profit-linked earn-out of €0.5 to €2.5 million, which is payable over the next three years. In view of the lack of reliable IFRS figures, other disclosures under IFRS 3.71 cannot be made at present.

As part of an asset deal, XING AG acquired 19 employees of epublica GmbH, the long-standing main partner for developing the XING platform. The Company has in this way strengthened its development know how. At the same time, the two developer groups will merge to form a team of 78 employees in the field of product development; this team had already been co-operating very closely at the premises in Gaensemarkt in Hamburg.

The Executive Board

Hamburg, March 10, 2009

Dr. Stefan Gross-Selbeck	Eoghan Jenning	Burkhard Blum	Michael Otto
CEO	CFO	COO	CTO

DECLARATION OF THE EXECUTIVE BOARD

We declare that, to the best of our knowledge, the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the 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 way 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, March 10, 2009

AUDITORS'S OPINION

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the XING AG, Hamburg, comprising the income statement, the balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's legal representative. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, March 10, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klimmer
Wirtschaftsprüfer
(German Public Auditor)

Borcherding
Wirtschaftsprüfer
(German Public Auditor)

GLOSSARY

Basic Membership	Free membership with XING offering limited functionality.
Blogosphere	A collective term encompassing all blogs and their interconnections. It is the perception that blogs exist together as a connected community (or as a collection of connected communities) or as a social network.
Blog / Weblog	A website with recurrent new entries, e.g., a private internet diary.
Business Intelligence System	Systematic and statistical analysis of the Company's business to gain information for the improvement of products and business processes.
Churn	Number of Premium Members who convert to Basic Members or give up their profile less those Premium Members who renew their Premium Membership shortly after termination.
(monthly) Churn rate	The number of terminations divided by the number of Premium Members at the end of the month. The average monthly churn rate is defined as the average of the monthly churn rates over the respective period.
CPM	Abbreviation for "Cost per mille," or "Cost per thousand page impressions"; method of price calculation for advertising on the internet, based on 1,000 page views.
Domain	Particular internet address by which a physical or virtual server is accessible.
Download	Downloading data from the internet.
EBIT	Earnings for the period after depreciation and amortization and before interest and other investment results and income taxes.
EBITDA	Earnings for the period before interest and other investment results, income taxes and depreciation and amortization.
EBT	Earnings for the period after depreciation and amortization and interest and other investment results and before income taxes.
Groups	XING members who exchange opinions.
IAS	International Accounting Standards; issued by the International Accounting Standards Committee until 2001.
IFRS	International Financial Reporting Standards; issued by the International Accounting Standards Board (the former International Accounting Standards Committee) since 2001.
Insourcing	Reintegration of formerly outsourced processes and business functions of the Company.
Internet	The internet is a global network of computers based on the internet Protocol (IP) without a centralised network management system; also: web.
Link	A connection between two websites; by clicking on a link the internet user is directed from one website to another website.

Live Networking Events	Events where XING members can meet in person and get to know each other ("live" as opposed to "online").
Moderators	Members who moderate XING groups on the platform.
Net	The internet (see Internet), also World Wide Web.
Networking	Building and maintaining a social network; looking after ones contacts.
Online	Status during which an individual computer is connected to the network: frequently used in terms of an existing access to the internet.
Online platform	A combined system of hardware and software components on which a computer application operates which can be accessed over the internet and which provides a user interface; here the XING platform.
Personal Data	Personal information of individuals like birthday, home address, nationality and also hobbies, preferences, etc.
Posting	A message in an internet forum or a newsgroup; a posting is usually visible to a number of users and therefore "public"; postings often refer to each other and are shown in chronological order so that they resemble a conversation or discussion.
Premium Membership	Paid membership with XING which entitles Premium Members to use all functions of the XING platform.
PremiumWorld	Special offers/discounts XING, in cooperation with partner companies, makes available to Premium Members only.
Professional Networking	Building and maintaining a network of occupational and business contacts.
Professionals	Well educated, employed or self-employed persons (also persons looking for a job), business people, used here as a collective term for the target group of the XING network.
RSS-Feed	Abbreviation for "Really Simple Syndication". A technology by which a user may subscribe to the content of a website – or part of a website – or may integrate the website into another websites.
Search engine	A website which offers a range of functions to search the internet.
Secure Socket Layer (SSL)	Encryption protocol for data transfer over the internet.
Server	Central computer of a network which provides the work stations (clients) data, memory and resources and manages the network.
Social Networking	Building and using social contacts; online social networking by using special websites that facilitate communication among their users and enables them to search for users with particular characteristics.
Software	Non-physical content, data, usually saved on a data carrier in electronic or optical form, such as computer programmes, music, films (antonym of hardware).

Spam-Mails	Unwanted, usually electronically transmitted messages (e.g., emails) which were sent in bulk and were not requested by the recipient or contain advertising.
Unique visitor	Identifiable visitor of a website (by IP address or cookie); to measure the traffic on a website as a proxy for its popularity, some methods count identifiable, repeat visitors of a website; these repeat visitors are only counted once as opposed to methods which count the number of “hits” (page views; page impressions).
Users interface	A representation, usually graphically, of the part of a computer program via which the data exchange with the user takes place.
Viral marketing	A form of marketing that exploits existing social networks in order to steer attention towards brands, products or campaigns by spreading messages epidemically like a virus. The spreading of the messages is based, ultimately, on word of mouth or other forms of communication among customers or consumers.
Viruses und worms	“Malicious” self-replicating computer programs, which spread on the internet, e.g., by email and may cause harm by deleting data, spreading data without authorization or altering settings.
Web 2.0	Web 2.0 is a generic term for new interactive technologies and services on the internet which take into account the new perception of the internet as well as the focus on interactive online communities. Users are provided applications and different sorts of data on largely integrated web platforms. The Web 2.0 technology follows the trend towards a more user-friendly internet and a stronger social and communicative orientation of the internet.
Web-based	A process that takes place on the internet.
Web browser	A software program that enables users to access data on the internet, in particular, to display web pages.
Website	Information made available on the internet which is combined and linked by uniform navigation.

FINANCIAL CALENDAR*

Date	Disposition
March 26, 2009	Annual report 2008, Hamburg
May 14, 2009	Interim report Q1, Hamburg
May 28, 2009	Ordinary shareholders' meeting, Hamburg
August 13, 2009	Interim report H1 2009, Hamburg
November 12, 2009	Interim report Q3 2009, Hamburg

*All dates subject to change

MASTHEAD AND CONTACT

This Annual Report is available in both German and English. Both versions and further press information are available for download at www.xing.com.

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