

# XING<sup>»</sup>

INTERIM REPORT 2009



Q3 / 2009

January 1 to September 30

## KEY FIGURES

		Q3/2009 <sup>2)</sup>	Q3/2008	9M/2009 <sup>2)</sup>	9M/2008	Q2/2009
Revenue <sup>1)</sup>	in m €	11.7	9.2	33.2	25.1	10.8
EBITDA	in m €	2.9	3.7	8.8	8.7 <sup>3)</sup>	2.5
EBITDA margin	in %	25	40	27	35 <sup>3)</sup>	23
Result for the period	in m €	0.3	1.8	2.5	4.7	0.5
Operating cash flow	in m €	4.3	3.6	10.6	11.5	0.9
Operating cash flow per share	in €	0.8	0.7	2.0	2.2	0.2
Earnings per share (undiluted)	in €	0.1	0.3	0.5	0.9	0.1
Equity	in m €	55.7	51.5	55.7	51.5	55.1
Cash	in m €	38.6	42.6	38.6	42.6	35.9
Members	in m	8.3	6.5	8.3	6.5	7.9
thereof paying members	in 000	662	513	662	513	635
Contacts	in m	162	112	162	112	150
Employees		266	161	266	161	246

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

<sup>2)</sup> Including one-off expenditures amounting to € 400 thousand

<sup>3)</sup> Including one off expenses related to discontinued M&A activities (€ 768 thsd.)

# MISSION STATEMENT

XING AG operates an Internet platform custom tailored to the needs of professionals, in line with the motto „Discover and utilize your relationships. Professionals of every stripe, from IT experts to communications gurus to bankers, require tools for managing their professional contacts and deriving true and lasting value from their network. Business networking has long since been recognized as an effective component in professional success. More than eight million business people manage their professional network with XING.

The positive development in operational revenues is paralleled by the progress of the XING AG share since the 2006 IPO, the first and to date only Web 2.0 Company to float. Both developments can be traced in large part to continually rising membership figures, which in turn lead to growing revenues and profits. XING AG is headquartered in Hamburg, Germany, with offices in Barcelona and Istanbul. The entire platform is available in 16 languages, the only business network of its kind with such an international reach.

## CONTENTS

### To our shareholders

Letter from the Executive Board	4
XING shares	6

### Interim Report

### Consolidated interim financial statements

Consolidated income statement	21
Consolidated balance sheet	22
Consolidated cash flow statement	24
Statement of changes in shareholders' equity	26
Notes to the consolidated interim financial statements	28

### Further information

Financial calendar	32
Masthead and contact	32

# LETTER FROM THE EXECUTIVE BOARD

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

XING AG had a very successful start into the second half of the year. After the economic downturn slightly dampened revenue growth in the first six months of the year, we were able to boost quarterly revenues from July to September 2009 to €11.7 million, up eight percent from Q3/2008. This represents a 27 percent increase from the previous year's Q3 results.

Our membership figures have also increased by 27 percent in the last 12 months. Since August, our network numbers over eight million members for the first time ever. A total of 400 thousand business professionals joined the XING network for the first time in Q3 of this year. This placed our overall global membership at 8.3 million as of September 30. Furthermore, the number of Premium Members on the platform increased by 29 percent in the last 12 months. In the third quarter alone, we gained an additional 27 thousand paying members, which had a positive effect on the development of results in the quarter. We increased our EBITDA margin slightly, from 23 percent in Q2/2009 to 25 percent this quarter. Alongside the expansion of our market leadership in the home markets Germany, Austria and Switzerland with approximately 3.6 million members, we succeeded in boosting our membership particularly in Turkey and Spain during the historically weak summer holiday months. These positive developments show that XING has become an essential website for our members, forming a key element in their career advancement and planning.

Before introducing the new business models we previously announced, we undertook key measures in platform development last quarter, many intended to open the XING platform for external partners. This development is in response to a frequent request of XING members, who want to integrate XING into their daily work in more ways. With the launch of the OpenSocial-based XING Partner Ecosystem in July, the platform made this possible. External developers can now write applications, and offer them on the XING platform, following an approval process. XING members benefit from a range of new business applications. The external developers, in turn, benefited from the exposure they gained due to traffic on the XING platform.

In the "Jobs" division, revenue development has stabilized since Q2, despite the continued crisis in the employment market. Following a slight dip in revenues in Q1, the sale of job ads yielded revenues of €1.04 million in Q3, following €1.03 million in Q2/2009. Its unique community for HR professionals makes XING the most important platform for talented professionals in many countries. Particularly in Germany, XING is one of the top platforms for recruiting, as a recent survey of 2,600 HR representatives proved. 48 percent of respondents said they used our platform every day for their work. An additional 34 percent use XING between one and three times a week. Furthermore, a recent PROFILO survey of 484 HR representatives ranked XING the number 1 job portal. These results confirm our strategic decision to concentrate resources on expanding the e-Recruiting section this year. In the coming fourth quarter, we will launch a number of new features that will make XING more useful for recruiters. Not only will we offer customized features for active recruiting, we're expanding the entire XING Jobs section, including visual display of job ads and billing modalities. This will create a one-of-a-kind fusion between the largest community for business professionals in Germany and the entire feature set of an Internet job portal. This is a key step in helping our members become even more successful, while also garnering new revenue streams in this market for XING in Q4.

Our success in Q3 was not limited to operative developments, however. We were lucky to win over Dr. Helmut Becker as Chief Commercial Officer (COO), completing our Executive Board. Before coming to XING, Dr. Becker was the Managing Director of eBay Advertising AG. Prior to that, he was the Managing Director of the eBay subsidiary Shopping.com Deutschland. Earlier in Q3, we welcomed Ingo Chu as Chief Financial Officer (CFO). Mr. Chu has many years of experience in a number of e-Commerce and media companies. Before joining us, he was the CFO of the RTL Shop GmbH. Our two new Executive Board members provide the management expertise we need to continue expanding our areas of business, and to open new sources of income.

Our dedicated employees join us in looking forward to an exciting fourth quarter in which we will launch new and trendsetting business models and products, features which have been designed in the past several months by large parts of our team. The result for our company will be a solid, more diversified revenue foundation, without straying from the core competence of our platform.

Thank you for your trust!

Hamburg, November 2009



Dr. Stefan Groß-Selbeck  
CEO



Ingo Chu  
CFO



Burkhard Blum  
COO



Michael Otto  
CTO



Dr. Helmut Becker  
CCO



# XING shares

## Key data on the XING share

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

Key parameters of XING shares	Q3/2009	Q3/2008
XETRA closing price	€36.00	€29.94
High	€36.00	€35.50
Low	€26.70	€28.00
Market capitalization	€190 million	€162 million
Average trading volume per trading day	18,510	8,441
Ranking in TecDAX		
Based on order book turnover	33	62
Based on market capitalization	33	44
Earnings per share (undiluted)	€0.07	€0.34
Operating cash flow per share	€0.82	€0.69
Shareholders' equity per share	€10.56	€9.93

Share performance compared to the indices	Q3/2009
XING	21.1%
TecDAX	20.9%
DAX	18.0%
SDAX	20.3%



# Interim Report

for the period from  
January 1 to September 30, 2009

- 9 Business development
- 18 Product development and Engineering
- 19 Risk report



## Business development

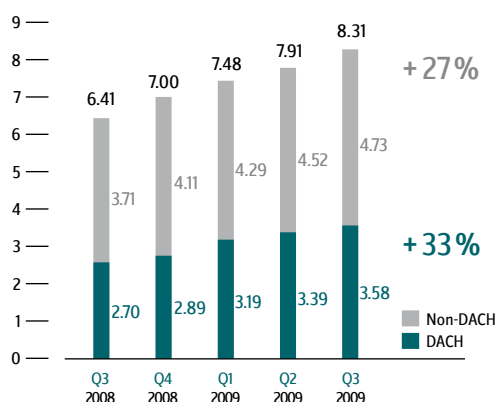
### Member growth

In the historically weak period from June to September, XING gained 400 thousand new members, slightly exceeding last year's Q3 figure of 390 thousand members. A total of 1.3 million business professionals logged into XING for the first time in the first nine months of 2009, increasing the member base to 8.3 million as of September 30. The number of Premium Members increased in Q3 as well, to a total of 662 thousand at the end of September. No other social network has more paying members. The continued strong member growth demonstrates that the Company was able to considerably expand its market leadership position in German-speaking markets vis-à-vis all other business networks.

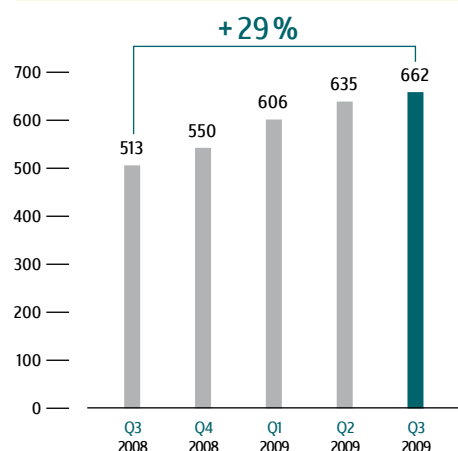
36 percent of all XING members are based in Germany, Austria, or Switzerland. At the end of September, 3.6 million professionals from German-speaking countries were actively networking on XING. In its home markets, XING is the most popular, most used, and fastest growing "professional network" by a substantial margin, a fact further reflected in the high customer retention rate. According to recent figures, 75 percent of paying members were sufficiently satisfied with the service after three years, and remained motivated to continue paying for Premium features on XING. With 36 percent member growth in the past 12 months, Berlin is at the forefront of German metropolises. Over 200 thousand Berliners are connected via XING. Munich, however, remains the German city with the highest number of XING members, with over 222 thousand. Similar to other large cities such as Hamburg, Frankfurt or Zurich, one in five inhabitants of Munich is a XING member.

Alongside the continued rapid growth in Germany, XING continues to increase its international presence in the daily life of business professionals. Outside of German-speaking countries, XING gained 209 thousand new members in Q3/2009. In particular, the offices in Barcelona and Istanbul helped drive the international

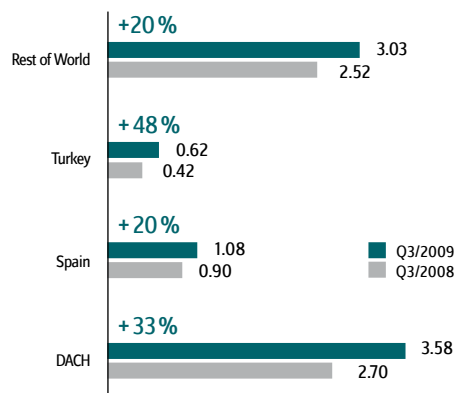
### Member split in millions



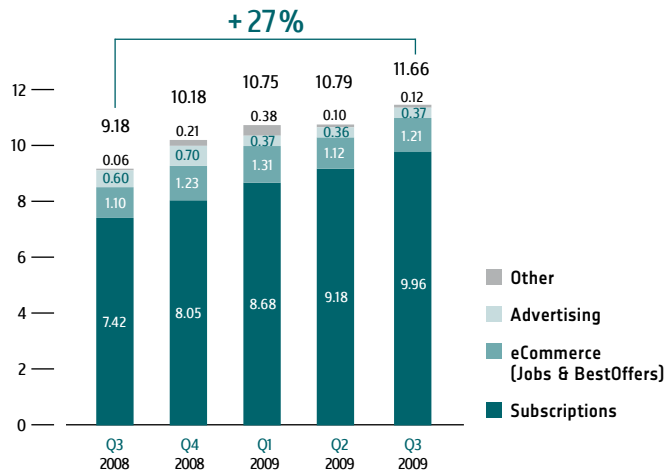
### Premium members in thousands



## Member distribution in millions



## Revenue split XING AG in € million



expansion of the business network in Europe. At the end of September, 4.7 million members lived in non-German-speaking countries. The Mediterranean countries, in particular, have an active XING community. XING AG's core international markets are Spain and Turkey. The Company increased its member growth in Q3 in these countries as well. With 50 thousand new members in Spain and 70 thousand in Turkey, these focus countries are showing their strongest member growth to date. Major cities in particular have seen rapid growth: Istanbul has increased its member base by 44 percent in the past 12 months, for example, and Madrid by 57 percent.

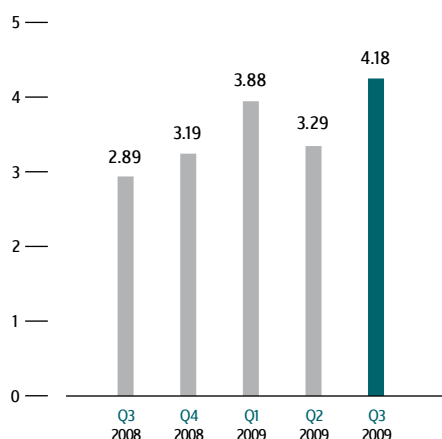
## Revenue development

In comparison to recent quarters, revenues at XING AG are once again on a growth course in Q3/2009. Revenues for the quarter amounted to €11.7 million, a jump of 27 percent over Q3/2008 (€9.18 million), and an eight percent increase from the previous quarter. Premium memberships continue to be the main generator of revenues. The "Subscriptions" division reported a total of €9.96 million from 662 thousand paying members in Q3. This represents an increase of nine percent from the previous quarter.

The "Jobs" division also generated new revenues during the reporting period. The Company continues to attract new job ads, which in turn increases its presence and reach. For the first time ever, the number of job ads exceeded 20 thousand. These gains show that this area is waxing in relevance for XING members. In the past quarter alone, members clicked on job ads on XING a total of 4.18 million times, a 45 percent increase over the clicks in Q3/2008, and 27 percent more than in Q2/2009. Despite the continued economic crisis and the resulting market instabilities, the Company has stabilized its revenues, and expanded its market position from approximately three percent as of September 2008 to over four percent at the end of Q3/2009. During the current Q4, XING AG will expand its product palette for job posters. The Company will introduce custom-tailored

## „Jobs“ Clicks

in millions



features for active recruiters, and also expand our entire Jobs area including display options and billing modalities. In addition to all-text ads and the performance-based billing model we've had up until now, XING AG will also offer a single price job ad product, and custom-designed ads. In doing so, the Company is positioning itself as a full-service provider in the German-language e-Recruiting market, valued at over €100 million.

For the "Advertising" division, the Company reported advertising revenues of €372 thousand in Q3. This represents a decrease of approximately 38 percent from last year's quarterly revenues (Q3/2008: €600 thousand). As expected, this decrease in revenues reflects a considerably lower guarantee base payment by the main online advertising distributor in comparison to last year. XING AG will continue to pursue the strategy of selling advertisement to monetize non-paying basic member, and will continue to use this source of revenue carefully and in a focused manner.

## Development of results

Since the IPO, XING AG has united high profitability and strong growth. With its comparatively heavy investments in the previous quarters (including investments in personnel, particularly programmers), XING AG has set the foundation for future developments. The Company made key strategic decisions at the beginning of 2009, concentrating business activities and resources on three key areas of focus. XING will continue to focus on expanding market penetration in the core countries, will establish new sources of revenue, and will continue its international expansion.

XING AG has already made great strides towards promoting these priorities. In Q4/2009, the Company will launch new revenue sources and products, which management believes will add a new dimension to future revenue and profit growth.

Investments are absolutely essential as the basis for accelerated innovation. Given these facts, the EBITDA margin decreased from 32 percent in Q1 to 23 percent in Q2, as expected. The EBITDA increased again in Q3 to €2.93 million, the EBITDA margin to 25 percent. It should be kept in mind that personnel expenditures in Q3 include one-off expenses amounting to approximately €300 thousand, stemming from the closure of the XING office in Italy. Furthermore €100 thousand are included in other operating expenses. If XING AG adjusts the EBITDA to account for these figures, the operating result amounts to €3.33 million, or a margin of 29 percent. After €1.45 million amortization payments, approximately €1 million in taxes, and approximately €10 thousand in interest payments are deducted, a net operating profit of €0.34 million is yielded in Q3, representing an 81 percent decrease from the previous quarter. At present, XING AG is undergoing an external tax audit for the years 2003 to 2007. Based on the conclusions of the yearly audit, XING AG assumes that there will be payment of arrears due for the period. As a result, reserves of €1.0 million have been set aside during the reporting period to offset audit-related risks. A final estimation of actual back payments will only be possible after the external audit has been completed, likely in Q1/2010. Operating cash flow increased by 18 percent from the previous quarter, to €4.3 million. These figures show that XING AG continues to operate a highly profitable and scalable business model with a great growth potential.

### Innovating with OpenSocial, mobiles and new Premium features

In Q3, the motto for development at XING was "Growth through Innovation". The Company was able to further accelerate its already high speed of innovation, not least of all by including a number of new applications from third-party developers, which were launched simultaneously with the **XING Partner Ecosystem**.

The start of the innovation offensive came at the beginning of July, with the launch of the XING application for **BlackBerry® smart phones**. The XING app for BlackBerry® offers more comfortable and simpler mobile access to the business network for the most popular smart phone in the world. This development was in direct response to frequent user requests. The free application allows XING members to access all contact data of their business partners directly from the BlackBerry® interface. This means that contact data, including telephone numbers and email addresses, are kept up to date by the contacts themselves, and are available on the Smartphone wherever you are.



In mid-July, XING added two new Premium features for its paying members: **Attachments** in member profiles, and automatic **birthday reminders**. The new profile attachments for Premium Members allow users to present themselves and their own work in a more comprehensive manner than ever before. Now members can upload application materials, work samples or letters of recommendation directly to their own XING profiles, to be viewed by potential clients or employers. Every Premium Member can upload up to three attachments of up to two MB apiece.

The birthday reminder function informs Premium Members by email when their personal contacts have a birthday. The "birthday mails" also include a link for sending birthday greetings, should the person wish. This feature is yet another example of XING responding to the requests of its members – a "birthday reminder" has long been one of the most requested features on XING. The reason behind this is clear: thinking of people on their birthday, whether they are private or business contacts, can be a very important CRM measure, one that leads to further and deeper contact in the future.

After launching the first three **OpenSocial** applications "XING News", "Ask XING", and "Twitter Buzz", XING launched its new Partner Ecosystem in July, featuring 16 applications from 13 external partners. In doing so, XING kept its promise of opening the platform to third-party developers, while at the same time boosting its feature set by the addition of many new applications. Thus, user value was maximized without using the Company's own resources. At present, the Partner Ecosystem features apps from Huddle.net, Doodle, Dopplr, Deutsche Welle, MindMeister, SlideShare, spread, travelload, Tungle, sueddeutsche.de, Wallstreet:Online, WELT ONLINE and ZCOPE. From news and project management through to travel planning and data sharing, the new apps can be installed free-of-charge at <https://www.xing.com/opensocial> and will be available to all XING members, in addition to the existing features on the XING platform.



	Polls/scheduling
	Travel community
	Multilingual news
	Workspaces/file sharing
	Mindmapping
	Travel organizer
	Calendar/scheduling
	Slide sharing
	Web meetings
	Business quiz game
	Stock prices
	German news
	Project Management

Everyone involved benefits from the XING Partner Ecosystem: XING members from the additional applications to meet various needs, XING partners from the dissemination of their apps to a community of over eight million members, and XING AG, because this launch makes XING more valuable and interesting to both members and partners. There is a great deal of interest in this project, both from members and from companies: Over 320,000 users have already installed applications. Over 100 companies have applied as potential partners, and submitted concepts for new apps. XING selects these partners itself to ensure that both partner and app fulfill our high standards, from technical quality to content to data protection, and that they offer an additional business-relevant value to as many members as possible.

### New features for over 70,000 recruiters on XING

In the third quarter of 2009, XING AG continued to focus on further developing the platform for use by recruiters, job posters, and HR representatives, in line with the strategic goals set. Recent success has shown that more and more HR representatives rely on XING for finding new employees. As of September, over 70 thousand HR representatives were active on XING in Germany alone. This represents an increase of 26 percent within the last 12 months.

In order to increase the visibility of XING Jobs among recruiters, the Company launched a print ad campaign directed at this target group in June. Starting in September, XING AG purchased full-page ads in the HR magazines *Personalführung*, *Personalwirtschaft*, *Personalmagazin* and *Personal*.

HR representatives can reach considerably more managers and experts using XING than on standard online job portals. The key to this is that on XING, interesting candidates who are not necessarily searching for jobs learn about available positions they may be open to applying for.

Several studies conclude that employees change jobs nowadays more frequently than ever before. This development is expected to accelerate in coming years. The search for new employees or career perspectives is therefore another reason why managers and professionals continually expand and manage their professional



networks. With roughly 3.6 million members, XING is the market leader and fastest growing business network in Germany, Austria, and Switzerland. Over eight million members network on XING around the world. Approximately nine percent of XING members are chief executives or equivalent; over 40 percent are managers with leadership responsibilities.

In order to make recruiting on XING simpler and more customizable, XING has developed and begun implementing a series of innovations and extra features. At the end of October, these new features were bundled into a special paying membership for recruiters, and launched on the XING website. The new **Recruiter membership** offers improved search capabilities, additional filters and simplified contact management. It is available starting at an introductory subscription price of €29.95 a month, and includes all the Premium features in addition to the expanded recruiter functionalities.

Another innovation came in the third quarter, with the start of the test phase for custom designed job ads on XING. And because the demands on the Jobs area increase with the ever rising member traffic, XING will continually improve the **XING Jobs** portal. The Company also plans to launch custom-designed ads for all business clients in Q4. Besides uploading a corporate logo, companies purchasing a DESIGN ad can adjust the color and add photographs, if desired. The first custom-designed ads are now live on XING Jobs, with test partners Michael Page, the HR services company Auto Vision, and Yello Strom.

### Expansion of the community with new XING Groups concepts

One driving factor behind member activity and the lively nature of the XING community can be found in **XING Groups**, where a plethora of business-related and leisure topics are discussed in numerous languages, both regionally and internationally. In August, the number of groups exceeded 30 thousand for the first time. XING Groups have provided members a place to network and discuss topics since 2003. For companies, XING also offers fee-based Enterprise Groups with advanced features to meet the specialized needs of corporate, alumni, and association groups. IBM, Microsoft, McKinsey and T-Systems are some of the companies who take advantage of the Enterprise Group solution on XING.

Since 2007, XING has featured official **Ambassador Groups**, and it continues to acquire renowned and capable business professionals as volunteers to organize and grow local XING groups around the world. Each Ambassador moderates an official regional XING group, and regularly organizes Networking-Events. Over half a million professionals took part in events organized on the XING platform by members for members. These events included over 700 official XING live events organized by XING Ambassadors. The Ambassador Program gives XING networking another, offline dimension: at official XING events, members meet new and existing contacts under the motto "Start on a personal note, and soon you'll be in business". At present, there are 208 Ambassadors for 140 regional XING Ambassador Groups: In Berlin, Munich, Zürich, Ankara, Santiago de Chile, Oslo and many other cities around the world.

As a result of the enormous success of the Ambassador program, XING adapted the concept to industry-specific groups in the summer of 2009, launching the XING Xpert Ambassador Groups in July. The new program is intended to promote the development of industry-specific groups on XING, and is geared towards qualified experts and professionals in specific industries. For example, the XING Xpert group BANKING-CLUB-ONLINE is intended for members who work in the banking or finance industry, and the Xpert group „Media & Publishing“ is directed at the target group inherent in the group name. The XING Xpert Ambassador program helps members network on the XING platform with other “insiders”, and also to organize offline events where attendees can get to know others from their industry. At present, there are 17 XING Xpert groups in Germany, Spain, Turkey and Italy, and the number is continually increasing as new groups are added. XING AG operates its Xpert groups with the goal of promoting these qualified expert groups among the 30 thousand other XING groups.

A further example of the extent to which opinion leaders use XING groups to reach their target groups can be seen in the recent launch of XING groups for political parties. On the occasion of the recent federal elections in Germany, XING offered all parties represented in the Bundestag their own, self-moderated group on the platform. In the realm of politics, ground-breaking decisions are made that affect most industries and influence entrepreneurial activities. The „Super Election Year 2009“ presented an opportunity for XING to assist its members in discussing political topics. Since that time, the political parties CDU, CSU, SPD, FDP, Bündnis 90/DIE GRÜNEN, DIE LINKE and the Piratenpartei are each represented on XING with individual groups. This allows XING members to seek and make direct contact to politicians and parties on XING. In addition to the approximately 10 thousand members in the seven political party groups, several famous politicians are active on XING with an individual profile. All political groups can be reached at a central location: <http://wahl.xing.com/>.





## Successful member acquisition with XING Marketing

As part of XING's sixth birthday on November 1, XING ran a two-week birthday campaign including a XING quiz sweepstakes, and unique birthday prices on XING Premium Membership in September. For example, members had a chance to receive two free months when signing up for a six-month Premium Membership. Those who participated in the sweepstakes and answered the quiz question correctly also had a chance to win one of several great prizes such as a MacBook Air, an iPod, or one of several BlackBerry smart phones.

After receiving countless requests from members, the Company launched XING **Premium Vouchers** in September, allowing users to share XING Premium Membership with their friends or business associates in gift form. Whether as a birthday present, as a 'thank you' gift, or as an incentive for employees, members can select from four different vouchers, starting at €9.95. The voucher recipient can then redeem the gift certificate at <http://voucher.xing.com>.



Also in September, XING AG set out to reach another target group, **recent graduates**. For a three week promotion period, recent graduates had the opportunity to sign up for Premium Membership for a 50 percent discount. The offer was promoted in Germany and internationally with a homepage teaser and special mailings to students on the platform, leading to a 377 percent increase in new memberships among the target group.

Along with local banner campaigns in Spain and Turkey, international SEM campaigns considerably boosted membership growth in the XING core markets.

In order to allow XING members to profit from the rapid growth of the platform, XING also launched a partner program. The partner program enables website administrators in Germany, Austria, and Switzerland to promote XING on their websites or blogs with ready-made advertising material. This success-based incentive model offers a fixed reward of €1.50/CHF 2 for each new member referred by the partner website. Since July, XING can also be found on [www.100partnerprogramme.de](http://www.100partnerprogramme.de) in the aim of locating additional affiliates and generating additional exposure and buzz for XING.



## Product development and Engineering

In Q3/2009, the longstanding agile management style found in XING project teams was applied to the product development process, allowing for more rapid and precise product implementation, and a deeper focus on the relationship between technical innovations and market and customer needs. By releasing early and focusing on XING members, the Company intends to drive platform use by both existing and new members, who in turn will drive growth and revenues.

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

- Official launch of the OpenSocial infrastructure in the form of the “Partner Ecosystem” with 16 OpenSocial applications and 13 external partners
- Revaluation of Premium Membership by adding new features, including profile attachments (for CVs, recommendations, and more) and email birthday reminders
- Expansion of Company Profiles
- Improved feature set for the XING Jobs area (job alerts, JobTV24), and expansion of the area for B2B sales
- Launch of a wide range of search engine optimization (SEO) measures
- Improvement of the Events area
- Introduction and adaption of XING Xpert Ambassador Groups for topic-related Ambassadors
- Development for expanding other revenue generating features on the platform (such as Recruiter membership, Company Profiles, Google TextAds)

XING has been coded in Perl technology since its inception, and is increasingly written in Ruby-on-Rails, an innovative web development framework. In the interest of presenting itself as a top employer for software developers, XING speaks at industry conferences, and has made a name for itself as an innovative development company by targeted sponsoring of Ruby-on-Rails events. In order to meet increasing workloads now and in the future, XING has considerably expanded its development teams in Hamburg and Barcelona.

## 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.

Each individual employee is called on to actively look for and prevent potential damages to the Company. Their task is to immediately remove all risks in their own area of responsibility, and to immediately notify the responsible parties in the event of any indications of existing risks that may arise. An essential requirement for such a task is knowledge of the risk management system and maximum risk awareness of each individual employee. Accordingly, employees are familiarized with the risk management system via periodic introductory seminars, and by means of informational 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 probability of occurrence, and the expected potential damage. The risk owners and division heads are regularly queried as to the status of existing risks and the identification of new risks.

Since the reporting of risks in the 2008 Annual Report, the Company has not identified any new notable new risks.



# Consolidated interim financial statements

for the period from  
January 1 to September 30, 2009

- 21 Consolidated income statement
- 22 Group balance sheet
- 24 Statement of changes in shareholders' equity
- 26 Consolidated cash flow statement
- 28 Notes to the consolidated interim financial statements

# CONSOLIDATED INCOME STATEMENT

for the period from January 1 to September 30, 2009

in € thousand	07/01/ – 09/30/2009	07/01/ – 09/30/2008	01/01/ – 09/30/2009	01/01/ – 09/30/2008
Revenues from services	11,571	9,115	32,635	24,894
Other operating income	93	63	572	196
<b>Total revenues</b>	<b>11,664</b>	<b>9,178</b>	<b>33,207</b>	<b>25,090</b>
Cost of materials	(1)	0	(22)	(27)
Personnel expenses	(4,487)	(1,896)	(11,551)	(6,098)
Marketing expenses	(1,363)	(1,333)	(3,500)	(3,302)
Other operating expenses	(2,888)	(2,237)	(9,315)	(6,957)
<b>EBITDA</b>	<b>2,925</b>	<b>3,712</b>	<b>8,819</b>	<b>8,706</b>
Depreciation	(1,450)	(1,167)	(4,174)	(2,094)
<b>EBIT</b>	<b>1,475</b>	<b>2,545</b>	<b>4,645</b>	<b>6,612</b>
Financial income	13	397	256	1,053
Financial expenses	0	(4)	(39)	(17)
<b>EBT</b>	<b>1,488</b>	<b>2,938</b>	<b>4,862</b>	<b>7,648</b>
Expenses attributable to taxes on income	(1,144)	(1,168)	(2,342)	(2,928)
<b>Total result for period</b>	<b>344</b>	<b>1,770</b>	<b>2,520</b>	<b>4,720</b>
Thereof:				
Shareholders of the parent company	344	1,792	2,520	4,773
Minorities	0	(22)	0	(53)
	344	1,770	2,520	4,720
Earnings per share (undiluted) in €	0.07	0.34	0.49	0.92
Earnings per share (diluted) in €	0.07	0.33	0.49	0.89

# GROUP BALANCE SHEET

as of September 30, 2009

ASSETS in € thousand	09/30/2009	12/31/2008
<b>Non-current assets</b>		
Intangible assets		
Other intangible assets	8,251	2,338
Purchased software	4,667	3,821
Self-developed software	6,283	4,696
Goodwill	13,923	13,823
Property, plant and equipment		
IT hardware and other business equipment	2,273	1,897
Financial assets		
Equity participations	50	24
Other financial assets	24	20
Deferred tax assets	346	346
	35,817	26,965
<b>Current assets</b>		
Inventories		
Products	20	38
Receivables and other assets		
Receivables attributable to services	6,127	3,345
Tax refund assets	90	166
Other assets	1,354	1,281
Cash and cash equivalents and other current deposits	38,614	42,922
Assets available for sale	29	200
	46,234	47,952
	82,051	74,917

LIABILITIES in € thousand	09/30/2009	12/31/2008
<b>Shareholders' equity</b>		
Subscribed capital	5,272	5,202
Treasury stock	39,559	(2,092)
Capital reserves	(3,041)	38,517
Other reserves	2,412	1,756
Cumulative profit	11,465	9,068
Equity attributable to equity holders of the XING AG	55,668	52,451
Minorities	0	(123)
	55,668	52,328
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,795	2,157
Deferred income	1,157	581
	3,952	2,738
<b>Current liabilities</b>		
Liabilities from Finance lease	2	122
Trade accounts payable	886	1,393
Deferred income	13,648	9,725
Tax provisions	2,247	2,395
Other liabilities	5,648	6,216
	22,431	19,851
	82,051	74,917

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from January 1 to September 30, 2009

in € thousand	Subscribed capital	Capital reserved	Treasury stock
Balance 01/01/2008	5,202	38,517	0
Currency translation	0	0	0
Total income and expense for the period recognised directly in the equity	0	0	0
Net result	0	0	0
Total result for period	0	0	0
Purchase of minorities	0	0	0
Personnel expenses, stock option program	0	0	0
As of 09/30/2008	5,202	38,517	0
Balance 01/01/2009	5,202	38,517	(2,092)
Currency translation	0	0	0
Total income and expense for the period recognised directly in the equity	0	0	0
Net result	0	0	0
Total result form period	0	0	0
Share buyback	0	0	(949)
Purchase of minorities	0	0	0
Planned issuance of equity instruments for acquisition	70	1,023	0
Incidental cost for capital increases	0	0	0
Capital increase from share-based payment	0.7	19	0
Personnel expenses, stock option program	0	0	0
As of 09/30/2009	5,272	39,559	(3,041)



Other reserves	Cumulative profit	Total	Minorities	Shareholders' equity, total
637	1,744	46,100	(117)	45,983
(101)	0	(101)	0	(101)
(101)	0	(101)	0	(101)
0	4,774	4,774	(52)	4,722
(101)	4,774	4,673	(52)	4,621
0	0	0	87	87
788	0	788	0	788
1,324	6,518	51,561	(82)	51,479
1,756	9,068	52,451	(123)	52,328
(97)	0	(97)	0	(97)
(97)	0	(97)	0	(97)
0	2,520	2,520	0	2,520
(97)	2,520	2,423	0	2,423
0	0	(949)	0	(949)
0	(123)	(123)	123	0
0	0	1,093	0	1,093
(36)	0	(36)	0	(36)
0	0	19	0	19
790	0	790	0	790
2,413	11,465	55,668	0	55,668

# CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to September 30, 2009

in € thousand	07/01/ – 09/30/2009	07/01/ – 09/30/2008	01/01/ – 09/30/2009	01/01/ – 09/30/2008
Earnings before taxes	1,488	2,938	4,862	7,648
Depreciation on capitalized development costs	456	227	1,296	1513
Depreciation	994	940	2,878	581
Personnel expenses, stock option program	291	286	794	788
Interest income	(11)	(397)	(256)	(1,053)
Interest received	11	397	256	1,053
Interest expenses	0	4	39	17
Payed interest	0	0	(39)	(2)
Profit and loss account from fixed asset	0	0	0	(2)
Payed taxes	(296)	0	(1,976)	0
Change in receivables and other assets	73	(1,422)	(2,836)	(4,491)
Change in liabilities and other liabilities	380	54	1,105	2,633
Change in other assets and liabilities with regard to acquisition of consolidated companies	0	0	0	38
Change in deferred income	913	611	4,499	2,740
Cash flow from operating activities	4,299	3,638	10,622	11,463

Capitalization of self-developed software	(1,144)	(779)	(2,883)	(1,725)
Purchase of other software	(177)	(67)	(1,861)	(92)
Purchase of other intangible assets	(5)	(687)	(3,401)	(1,302)
Result from the disposal of fixed assets	0	0	0	3
Purchase of property, plant and equipment	(173)	(439)	(1,050)	(1,034)
Purchase of consolidation companies (less cash acquired)	0	0	(4,619)	(2,574)
Investment in other financial assets	0	(2)	(30)	118
<b>Cash flow from investing activities</b>	<b>(1,499)</b>	<b>(1,974)</b>	<b>(13,844)</b>	<b>(6,606)</b>
Transaction costs from the issue of capital	0	0	(36)	0
Result from capital increase	0		19	
Share buyback	0	0	(949)	0
Repayment of liabilities from finance leases	(31)	(42)	(120)	(122)
Interest paid	0	(4)	0	(16)
<b>Cash flow from financing activities</b>	<b>(31)</b>	<b>(46)</b>	<b>(1,086)</b>	<b>(138)</b>
<b>Change in cash and cash equivalents</b>	<b>2,769</b>	<b>1,618</b>	<b>(4,308)</b>	<b>4,719</b>
Cash and cash equivalents at the beginning of the period	35,845	40,945	42,922	37,844
<b>Cash and cash equivalents at the end of the period<sup>1)</sup></b>	<b>38,614</b>	<b>42,563</b>	<b>38,614</b>	<b>42,563</b>

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

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of September 30, 2009

## Principles and methods and basis for preparing the financial statements

The consolidated interim financial statements for the 9-month period ending on September 30, 2009 have been prepared in accordance with the International Financial Reporting Standards for Interim Statements (IAS 34) as applicable in the EU.

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

The accounting and financial reporting methods used for this consolidated interim statement are in accordance with the methods applied to the group annual statements ending June 30, 2009.

## Changes to the Group

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

On January 13, 2009, XING Italy Srl. was founded in Milan with equity of €25 thousand. The goal of XING Italy was to promote the XING website and sell XING products in Italy. As a result of the difficult market environment and the experiences in the first months of operation, a decision was made in September 2009 to end activities in Italy, because the financial commitment necessary to realistically achieve the set goals was deemed too high. Accordingly, this Q3 report includes provisions for losses amounting to €400 thousand associated with the liquidation of XING Italy Srl. This amount includes €300 thousand for personnel costs, as well as €50 thousand in liabilities for consultants and €50 thousand for the landlord of the business office in Milan.

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

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

There were no other changes to Group consolidation since the publishing of last year's Annual Report (as of December 31, 2008).

## Stock option plan

In the first nine months of 2009, expenditures for the 2006 and 2008 Stock Option programs amounted to €794 thousand. The evaluation of the Stock Option plans was conducted by Mercer Deutschland GmbH. The expenditures for both programs were calculated by means of the same evaluation methods.

## Treasury shares

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

## Additions and disposals of assets

In March 2009, XING AG paid €3.2 million to acquire the knowledge base and the assets necessary for programming the XING platform, represented by some 18 former employees of epublica GmbH, who became XING AG employees.

Investments in self-developed software increased to €2,883 thousand for the nine-month period from January 1, 2009 to September 30, 2009 (previous period: 1,725 thousand). When the to date amortizations for 2009 of €1,296 thousand (previous period: €1,513 thousand) are deducted, a net increase of €1,587 thousand is yielded (previous period: +€212 thousand). The position for capitalized self-developed software includes expenditures for improvements and additional features of the XING website.

The Group made investments for the purchase of IT software and hardware as well as other office equipment amounting to €2,911 thousand in the first nine months of 2009 (previous period: €1,126 thousand).

## Breakdown of other operating expenses

The following table lists the major items contained in the miscellaneous operating expenses:

in € thousand	01/01/ – 09/30/2009	01/01/ – 09/30/2008
IT services, management services and services for new markets	3,113	1,736
Legal advice, audit and accounting fees	1,630	1,447
Payment processing	1,332	1,079
Server-Hosting, management and traffic	905	1,174
Travel, entertainment and other business expenses	516	301
Other	1,819	1,220
<b>Total</b>	<b>9,315</b>	<b>6,957</b>

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

## Segment information

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

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

in € thousand	07/01/ – 09/30/2009	01/01/ – 09/30/2009	07/01/ – 09/30/2008	01/01/ – 09/30/2008
Subscriptions	9,959	27,817	7,416	20,059
Advertising	372	1,105	600	1,732
Jobs	1,043	3,271	1,018	2,853
BestOffers	170	372	80	222
Others	27	70	2	29
<b>Total</b>	<b>11,571</b>	<b>32,635</b>	<b>9,115</b>	<b>24,894</b>

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

in € thousand	07/01/ – 09/30/2009	01/01/ – 09/30/2009	07/01/ – 09/30/2008	01/01/ – 09/30/2008
Dach	11,036	31,049	8,623	23,391
International	535	1,586	492	1,503
<b>Total</b>	<b>11,571</b>	<b>32,635</b>	<b>9,115</b>	<b>24,894</b>

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

Long-term segment assets have increased considerably, in particular the capitalization of self-developed software for the XING platform and the acquisition of the knowledge base represented by some 19 former employees of epubli GmbH, which was responsible for programming the platform until its acquisition. These increases can be seen in the following table:

in € thousand	01/01/ – 09/30/2009	01/01/ – 09/30/2008
Germany	16,300	8,393
Rest of Europe	15,410	15,811
America	3,272	0
Asia	489	8
<b>Total</b>	<b>35,471</b>	<b>24,212</b>

### Contingent liabilities

The Group recognized leasing payments amounting to €290 thousand during the reporting period (previous period: €142 thousand) in the income statement.

Future minimum lease payments attributable to finance leases amount to €3 thousand within one year and €0 after one year.

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

### Related party disclosures

During the reporting period, payments of €271 thousand were made to epublica GmbH (previous period €1,636 thousand).

### Major events during and after the reporting period

There were no major events affecting the Company after the end of the first half year.

Hamburg, November 10, 2009

Dr. Stefan Groß-Selbeck  
CEO  
XING AG

Ingo Chu  
CFO  
XING AG

Burkhard Blum  
COO  
XING AG

Michael Otto  
CTO  
XING AG

Dr. Helmut Becker  
CCO  
XING AG

## FINANCIAL CALENDAR 2009

Date	Disposition
March 26, 2009	2008 Annual Report, Hamburg
May 14, 2009	Q1/2009 Interim Report
May 28, 2009	Annual General Meeting, Hamburg
August 13, 2009	H1/2009 Report
November 12, 2009	Q3/2009 Interim Report
The financial calendar 2010 will be released at the beginning of 2010 financial year.	

## MASTHEAD AND CONTACT

This half year report is available in German and English.

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

For Annual Reports, Interim Reports  
and current financial information  
about XING AG, please contact:

XING AG  
Patrick Möller  
Investor Relations  
Gänsemarkt 43  
20354 Hamburg  
Telephone +49 40 41 91 31 - 793  
Fax +49 40 41 91 31 - 44

Chief editor  
Patrick Möller

POWERING RELATIONSHIPS  
[WWW.XING.COM](http://WWW.XING.COM)

For press information  
and current information  
on XING AG, please contact:

Corporate Communications  
Telephone +49 40 41 91 31 - 10  
Fax +49 40 41 91 31 - 11  
[presse@xing.com](mailto:presse@xing.com)

Concept and Design  
HGB Hamburger Geschäftsberichte  
GmbH & Co. KG