



ricardo.de AG

Semi-annual report 2000/01

## **First half year dominated by mergers and reorganization**

In the first half of the financial year, ricardo.de AG reached “critical mass” as regards to members and the extent to which the company is known. The company will now focus its attention on achieving profitability as quickly as possible.

The first half of the financial year 2000/01 saw the completion of the merger with the British online auction company QXL.com plc and a fundamental restructuring process of the company's business model.

Despite reductions in the company's marketing expenditure, 277,000 new members registered with ricardo during the first half year of 2000/01. As such, the company had 1,097,000 members as of 31 December 2000.

## **Overview of the most important events occurring in the 2nd quarter of 2000/01**

2 October 2000	At an extraordinary general meeting of QXL.com plc, shareholders vote in favour of the planned merger with ricardo.de AG. In addition, a decision is taken to mount a public tender offer in respect of the remaining ricardo shares.
4 October 2000	ricardo auctions off tickets for the premiere of Peter Stein's “Faust” in Berlin.
17 October 2000	ricardo enters autumn with a relaunch of its Homepage, bringing major benefits to ricardo by allowing it to act in a swifter, less complex fashion.
25 October 2000	The public tender offer mounted by QXL.com plc for all ricardo shareholders commences. QXL offers ricardo shareholders 34 QXL shares in exchange for one ricardo share.
26 October 2000	In the November issue of “test” magazine under the aegis of Stiftung Warentest (German consumer protector association), a total number of seven online auction channels are subjected to close examination. ricardo is rated “good”; no online auction channel receives the top rating which is “very good”.
24 November 2000	QXL.com plc and ricardo.de AG announce that the public tender offer of QXL for ricardo shares came to an end on 21 November 2000. A total of approximately 7.4 million ricardo shares were tendered into QXL shares.
28 November 2000	The ricardo.de AG management board of directors resigns from office as planned. The supervisory board for ricardo.de AG simultaneously appoints Matthias Schmidt-Pfitzner and Arnulf Keese to the board.

30 November 2000	ricardo.de AG publishes its quarterly figures for the first quarter of the financial year 2000/01.
6 December 2000	ricardo.de auctions off more than 1,500 computers at bargain prices.
13 December 2000	ricardo and König & Cie. hold a highly successful auction for shipping vessel shares.
14 December 2000	The Court of Appeal in Hamm (in the German state of North Rhine-Westphalia) rules that contracts concluded between auctioneers and bidders at online auctions are legally binding.
21 December 2000	ricardo repeats its successful Christmas charity promotion: members of ricardo.de auction off their unwanted presents with proceeds going to UNICEF.

## **Business development**

The results of the first half year were heavily influenced by the one-off effects of restructuring the business model.

Turnover remained steady at EUR 7.7 million (first half year 1999/2000: EUR 7.7 million) due to company's planned shift from dealing in its own name and for its own account to the agency based and less risky platform business. During the period, inventory reduced from EUR 9.9 million to EUR 0.3 million. The company anticipates that by the end of the following quarter, it will no longer maintain inventory of its own.

The Gross Auction Value (GAV, value of goods traded) for the first half year of 2000/01 amounted to EUR 41.5 million (first half year 1999/2000: EUR 33.5 million).

Personnel expenditure increased on account of staff development and reorganization costs.

Due to the planned systems integration with OXL ricardo group, the company incurred extra-budgetary amortisation with regard to software amounting to EUR 0.9 million in the first half year. In future, the company expects this systems integration will lead to considerable cost-savings.

Half year results were also affected by significant adjustments with respect to claims and provisions which the new board of directors considers necessary in the context of the current market conditions.

Taken as a whole, according to the US-GAAP, losses increased from EUR 0.7 million in the first half of 1999/2000 to EUR 30.4 million in the first half of 2000/01. Of these EUR 30.4 million, EUR 15.4 million (1999/2000: EUR 0) is attributable to non cash-effective amortization of goodwill.



## **Merger with QXL**

The merger with QXL.com plc was completed on 27 November 2000. QXL.com plc now trades under the name of QXL ricardo plc.

In order to standardize practice within the QXL ricardo group, it was decided at ricardo.de AG's annual general meeting of 26 January 2001 to shorten the current financial year 2000/01 to nine months so that it ends on 31 March 2001. In future, the financial year will commence on 1<sup>st</sup> April of each year and end on 31<sup>st</sup> March of the following year.

## **Change in stock exchange market segment**

QXL ricardo plc has controlled approximately 92 per cent of ricardo.de AG's share capital since 27 November 2000. As a consequence, the number of shares in free float no longer corresponds to the rules laid down by the Neuer Markt. In general, in order to qualify for quotation on the Neuer Markt, at least 25 per cent of a company's total number of shares must be owned by minor shareholders. For this reason, ricardo.de AG's shares have been traded on the Geregelter Markt in Frankfurt since 22<sup>nd</sup> January 2001.

QXL ricardo plc's shares have traded on the Amtlicher Handel in Frankfurt since 4<sup>th</sup> December 2000. The company's shares are also traded on the London Stock Exchange and the NASDAQ National Market.

## **Management Changes**

On the 27<sup>th</sup> November 2000, the board of directors - Dr. Stefan Glänzer, Dr. Christoph Linkwitz and Dr. Stefan Wiskemann – resigned in accordance with the business combination agreement pertaining to the merger. Simultaneously, Matthias Schmidt-Pfützner and Arnulf Keese were appointed to the board. Schmidt-Pfützner is to be responsible for Marketing, Sales and Corporate Strategy respectively while Keese is to head Product, Operations and Finance & Administration. Linkwitz, Glänzer and Wiskemann were appointed to the advisory committee of the newly named QXL ricardo plc.

On the occasion of ricardo.de AG's annual general meeting on 26 January 2001, Eckhard Pfeiffer, Walter von Szczytnicki and Dr. Gottfried Neuhaus resigned from the supervisory board. Those present at the annual general meeting appointed Marc Zaleski, Jim Rose and Robert Dighero, all executive directors of QXL ricardo plc, London, as new members of the supervisory board.

## **Associated companies and company interests**

The closing-down of business operations in connection with subsidiary companies belonging to ricardo.de AG in England, France and Italy, where QXL already has successful companies of its own, saved market development costs and generated some of the planned synergy out of the business combination with QXL.

ricardo.de future GmbH continues to have interests in the following companies:



(1) Allocation Network GmbH, Munich (roughly 25 per cent stake), (2) tallyman AG, Hamburg (roughly 25 per cent), (3) myParadise.de AG, Munich (roughly 10 per cent), (4) Contingate AG, Hamburg (roughly 26 per cent), (5) Kilowatthandel AG, Leipzig (roughly 18.3 per cent) (6) Similan.com Pte Ltd., Singapore (roughly 17.5 per cent).

### **Staff numbers**

At the closing date of 31 December 2000, ricardo.de AG employed a total of 115 members of staff, including 4 trainees, counting its subsidiary companies in Switzerland and the Netherlands (31 December 1999: 85 members of staff, including 2 trainees). The average number of employees in the first half year of 2000/01 was 132, including 4 trainees, according to the Handelsgesetzbuch [German Uniform Commercial Code]. Special staff participation programmes ensure employees get a share of company profits. These convertible debenture stocks have not yet been redeemed.

### **Outlook**

The major part of the planned business reorganization was completed by the first half year of 2000/01. Cost-cutting measures will begin to have an effect as of the following quarter.

The introduction of listing fees in the platform business as of 22 January 2001 will enable the quality of services on offer to be improved for members and allow the company to further monetise its member base.

In the next few months, there are plans to transfer the ricardo.de website to an integrated QXL ricardo plc technical platform. The company expects that such steps will immediate operational cost-saving factor as well as producing further synergies in product development and technology. In particular, it means that sellers and buyers can take part in auctions run by the entire QXL ricardo group throughout Europe.

## Consolidated Balance Sheet as at 31 December 2000 (HGB)

Assets				Liabilities & Equity			
		12/31/00	12/31/99			12/31/00	12/31/99
	EUR ('000)	EUR ('000)	EUR ('000)		EUR ('000)	EUR ('000)	EUR ('000)
A. Outstanding investment in subscribed capital				A. Stockholders' equity			
Assets				I. Subscribed capital	8,323		7,840
I. Intangible assets				II. Additional Paid-In Capital	81,985		46,845
1. Conceptual development and software	526		633	III. Currency adjustments	22		-
2. Goodwill	25,676	26,202	-	IV. Balance sheet result	(47,384)	42,946	(8,317)
							46,368
II. Property and equipment		1,100	856				
III. Financial assets				B. Accrued liabilities			
1. Equity investments	6,602		4,827	Other accrued liabilities		4,303	411
2. Associated companies	70	6,672	-	C. Liabilities			
				I. Bonds	132		149
		33,974	6,325	II. Liabilities to banks	319		-
B. Current assets				III. Accounts payable	4,096		3,241
I. Inventories				IV. Liabilities to affiliated companies	787		-
1. Goods	291		3,675	V. Liabilities to associated companies	2		-
2. Down payments	190	481	44	VI. Other liabilities	445	5,781	1,140
II. Receivables and other assets				D. Deferred income		287	16
1. Accounts receivable	3,442		1,343				
2. Receivables from associated companies	327		-				
3. Other assets	1,534	5,303	2,018				
III. Securities		11,323	21,572				
IV. Cash and bank deposits		1,890	16,347				
C. Prepaid expenses		346	1				
		<b>53,317</b>	<b>51,325</b>			<b>53,317</b>	<b>51,325</b>

## Consolidated Income Statement (HGB)

		1st Half Year 00/01	1st Half Year 99/00
	EUR (‘000)	EUR (‘000)	EUR (‘000)
1. Revenues		8,456	7,670
2. Other operating income		638	125
3. Materials costs			
a) Costs of raw and other materials purchased	7,959		7,059
b) Costs of services purchased	6	7,965	-
4. Personnel costs			
a) Salaries and wages	3,664		1,501
b) Social security expenses and expenses for old-age pensions	381	4,045	101
5. Amortization and depreciation			
a) of intangible and fixed assets	1,704		321
b) of goodwill	17,944	19,648	-
6. Other operating expenses		10,937	3,195
7. Other interest and similar income		238	596
8. Losses from associated companies		208	-
9. Interest and similar expenses		40	2
10. Income from ordinary activities		(33,511)	(3,788)
11. Extraordinary expenses		-	4,119
12. Annual loss		(33,511)	(7,907)
13. Loss carry-forward from the previous year		(13,874)	(410)
14. Withdrawal from additional paid-in capital		-	
15. Balance sheet result		<u>(47,385)</u>	<u>(8,317)</u>

1st HY 00/01    1st HY 99/00

Earnings per share (per German Commercial Code):

EUR – 4.12

EUR – 1.03

(Number of shares as at 31 Dec 2000: 8,323,332; average for the quarter: 8,125,698)

## Statement of cash flows (HGB)

1 July 2000 to 31 December 2000

	12/31/00	12/31/99
	EUR ('000)	EUR ('000)
Income for the quarter	(33,511)	(7,907)
+/- Depreciation and amortization/additions	19,648	321
+/- Change in accrued liabilities	1,479	79
+/- Earnings on equity investments	208	
A) Cash flow	(12,176)	(7,507)
<u>Changes in current assets and other liabilities</u>		
-/+ Increase/decrease in inventories	3,334	(2,840)
-/+ Increase/decrease in accounts receivable	1,195	(1,072)
-/+ Increase/decrease in other receivables and current assets	861	(1,503)
-/+ Increase/decrease in prepaid expenses	(204)	152
+/- Increase/decrease in other short-term borrowings	0	0
+/- Increase/decrease in other liabilities	(406)	2,860
B) Cash flow from operating activities	4,780	(2,403)
- Purchases of fixed assets	(524)	(6,392)
C) Cash flow from investing activities	(524)	(6,392)
Proceeds received from increase in capital		
+/- Proceeds for increase in capital not yet recorded	-	52,710
+/- Proceeds/payments from convertible debt instruments	(28)	-
+/- Increase/decrease in financing liabilities	319	-
D) Cash flow from financing activities	291	52,710
E) Changes due to exchange rate adjustments and consolidation	5	-
Changes to cash and cash equivalents (A+B+C+D+E)	(7,624)	36,408
Cash and cash equivalents as at 1 July 2000	20,837	1,511
<b>Cash and cash equivalents as at 31 December 2000</b>	<b>13,213</b>	<b>37,919</b>
Financial assets on hand:		
Other securities	11,323	21,572
Cash on hand, cash in banks	1,890	16,347
<b>Total:</b>	<b>13,213</b>	<b>37,919</b>

## Conversion of equity capital from German Commercial Code (HGB) to US GAAP

	Share capital	Add. paid-in capital	Other reserves	Balance sheet result	Currency adjustments	Total
	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)	EUR ('000)
Stockholders' equity in accordance with HGB	8,323	81,985		-47,384	22	42,946
Previous years' adjustments to income		258	985	15,034		16,277
of which – withdrawal from add. paid-in capital for IPO expenses		-5,094				-5,094
Allocation to add. paid-in capital from previous year's media services granted above the initial offering price		116				116
Offsetting of development costs against previous years' add. paid-in capital		-77				-77
Unrealized gain on securities held for sale			162			162
Addition to equity investments due to non-applicability of associated company status				118		118
Adjustments to earnings for the fiscal year				3,093		3,093
Pro-rata share of currency adjustments attributable to Auktion 24					-5	-5
<b>Stock equity in accordance with US GAAP</b>	<b>8,323</b>	<b>77,188</b>	<b>1,147</b>	<b>-29,139</b>	<b>17</b>	<b>57,536</b>

## Conversion of consolidated results from HGB to US GAAP

	1st Half Year 00/01	1st Half Year 99/00
	EUR ('000)	EUR ('000)
Consolidated results according to HGB	-33,511	-7,907
1. Elimination of results relating to Auktion24 AG and Veiling.com B.V. at the time of initial consolidation		
a) Amortization of goodwill	2,541	-
b) Company losses as at the initial consolidation	210	-
2. Adjustment of results from barter transactions	342	-
3. Offsetting of expenses attributable to the IPO against add. paid-in capital	-	4,119
4. Other differences	-	62
Consolidated results according to US GAAP	-30,418	-3,726
<b>Earnings per share (EUR):</b>	<b>-3.74</b>	<b>-0.48</b>
<b>Segment information in accordance with SFAS 131</b>		
Auction revenues:	5,741	6,939
Commission revenues:	478	0
Advertising income:	1,444	731
<b>Total:</b>	<b>7,663</b>	<b>7,670</b>

## Statement of cash flows (US GAAP)

1 July 2000 to 31 December 2000

	12/31/00	12/31/99
	EUR ('000)	EUR ('000)
Income for the quarter	(30,418)	(3,726)
+/- Depreciation and amortization/additions	17,091	312
+/- Change in accrued liabilities	1,502	58
+/- Earnings on equity investments	208	
A) Cash flow	(11,617)	(3,356)
<u>Changes in current assets and other liabilities</u>		
-/+ Increase/decrease in inventories	2,348	(2,840)
-/+ Increase/decrease in accounts receivable	689	(1,072)
-/+ Increase/decrease on other receivables and current assets	1,592	(1,503)
-/+ Increase/decrease in prepaid expenses	(225)	152
+/- Increase/decrease in other short-term borrowings	0	0
+/- Increase/decrease in other liabilities	(190)	2,860
B) Cash flow from operating activities	4,214	(2,403)
- Purchases of fixed assets	(480)	(6,424)
C) Cash flow from investing activities	(480)	(6,424)
Proceeds received from increase in capital		
+/- Proceeds for increase in capital not yet recorded		52,710
- Offsetting of costs of the IPO		(4,119)
+/- Proceeds/payments from convertible debt instruments	(28)	
+/- Increase/decrease in financing liabilities	319	0
D) Cash flow from financing activities	291	48,591
E) Changes due to exchange rate adjustments and consolidation	364	
Changes to cash and cash equivalents (A+B+C+D+E)	(7,228)	36,408
Cash and cash equivalents as at 1 July 2000	20,880	1,511
<b>Cash and cash equivalents as at 30 September 2000</b>	<b>13,652</b>	<b>37,919</b>
Financial assets on hand:		
Other securities	11,762	21,572
Cash on hand, cash in banks	1,890	16,347
<b>Total:</b>	<b>13,652</b>	<b>37,919</b>



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