secunet

One-stop shop in IT Security

preliminary version

Annual Report 2005

Contents

Management Report

Management Report

Combined management report of the group and company

ECONOMIC REPORT

Macro-economic environment

The German economy grew some 1% in 2005. This growth was affected by seasonal fluctuations during the course of the year. Whereas the first and third quarters both saw strong bursts of growth, the second and fourth quarters were ones of sideward movements.

The continuing good orders situation in German manufacturing and the improved business climate in the corporate services sectors give good reason for expecting this growth process to continue. This is also supported by the robust global economy and the strong export orientation of the German economy.

Whereas households tended to remain cautious in consumption, companies increased their investment activities. This then fed through to a more positive view of the future on the part of consumers and during the course of the year their propensity to buy picked up significantly.

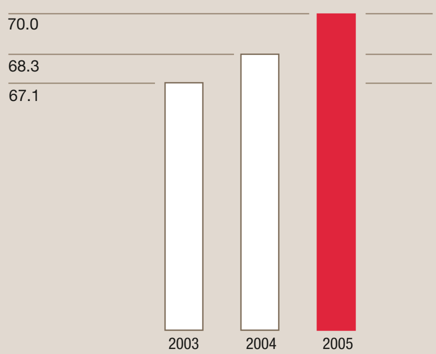
Despite an improvement in German state finances in 2005, the public sector is still having to tighten its belt further in order to meet the Maastricht criteria (maximum government deficit 3% of GDP).

Sector developments

secunet is a provider of IT security consultancy services and products/solutions. It specializes in the field of IT high security. This is a segment of IT security in which applications for professional use are developed and offered, for example complex cryptographic and signature systems. The offering is generally aimed at large-scale infrastructures. Most customers receive solutions that are tailored to their individual wishes.

Developments in the IT sector are evaluated by the BITKOM industry association. For 2005, BITKOM ascertained a market volume of some Euro 70 billion for computer hardware, data communications, network infrastructure, software and IT services. Compared with the previous year, the market for these areas grew 2.5%. During the same period, the number of people employed in software and IT services rose by 2.2%. Over the last 3 years, there has been a slightly positive trend for this economic sector.

Development of market volume IT-Sector in billion Euro



The IT security sector benefits from the development of the overall sector. Spending on security is directly dependent on general spending on IT infrastructure.

The development of the market for IT security is also influenced by the awareness for security weaknesses and the need for protection in the various organizations. In addition, statutory requirements that make protection mandatory drive the demand for IT security.

With its focus on IT high security and government clients, secunet occupies a niche position in the market for information and telecommunications systems. SINA is the only solution accredited for Internet-based communication between government units at a higher level of confidentiality. Thus secunet has achieved a very strong competitive position in the field of SINA and the public-sector environment in the German market. The many years of experience and the deep know-how in the field of IT security lead to a strong market position in consultancy business, too. There is room for improvement in secunet's market position for products aimed at the manufacturing sector.

Analysis of the development in financial performance indicators

Development of earnings

Fiscal year 2005 was the best so far in the history of secunet.

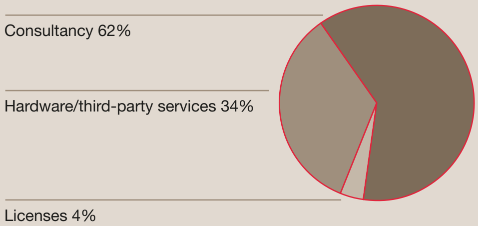
Sustained increase in sales

The consolidated sales of secunet Security Networks AG rose 26% from Euro 32.4 million in 2004 to Euro 40.8 million in fiscal year 2005.

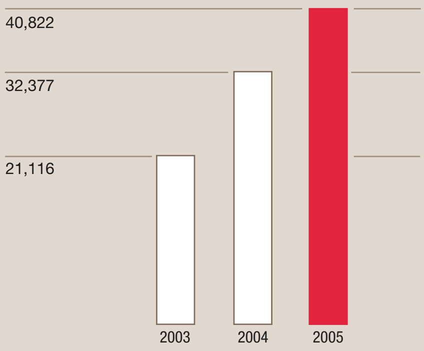
The forecast of sales rising to more than Euro 37 million announced mid year was thus well exceeded. The outlook was adjusted upwards back in October of last year on the basis of the figures for the third quarter of 2005.

The increase in sales was largely due to the product division and especially the Secure Inter-Network Architecture SINA. Whereas 50% of sales revenue was generated by consultancy and 39% by special solutions (secunet products, which includes in the main SINA) in 2004, special solutions accounted for 52% of sales revenue in fiscal year 2005. During the same period, the share from consultancy dropped to 41%.

Sales structure 2005



Sales revenue by years in kEuro



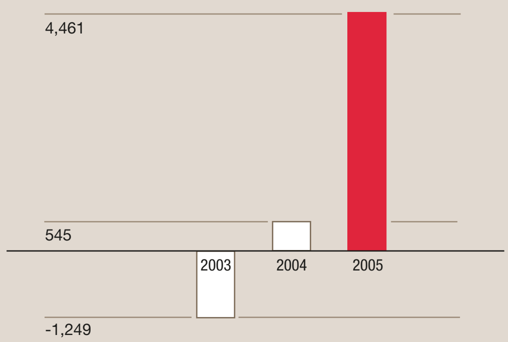
The sales contribution from biometrics, a market of the future, did not rise. As a result the expectations placed on this area were not fulfilled. The rolling out of biometric control systems is closely tied to the distribution of electronic passports. The issuing of this new type of travel document has only just begun. In addition, there are still many uncertainties concerning the use of biometrics. Thanks to its consultancy know-how, secunet remains a leader in this market and will grasp the opportunities future developments offer.
96% of sales revenue was generated in the German AG (previous year: 97%) and 4% by the foreign subsidiaries (previous year: 3%). About 4% of the sales revenue was generated with parent company Giesecke & Devrient (previous year: 7%).

Strong earnings improvement

The secunet group's IFRS earnings before interest and tax (EBIT) rose much more than sales revenue. EBIT was Euro 4.5 million in fiscal year 2005, compared with the previous year's figure of Euro 0.5 million.

There are three main reasons for this development: Firstly the good capacity utilization, secondly the rising share of license sales and thirdly the continuing strict budget discipline throughout the entire secunet group.
License sales accounted for some 4% of sales revenue in fiscal year 2005.
Decisive for the increase in profitability was the budget discipline that secunet has been applying for some years now. This is reflected in the changes in cost ratios. For example, the personnel cost ratio fell from 48% in 2004 to 43% in 2005. The balance on other operating expenses and income accounted for 19% of consolidated sales in the previous year, and we succeeded in reducing this to 12% in 2005. The depreciation ratio fell from 3% in 2004 to 2% in the fiscal year just ended. Only the material cost ratio rose from 28% in 2004 to 31% in 2005. This is due to the increase in sales for SINA projects, which always entail the use of hardware components.

Development of EBIT in kEuro



The financial result also rose year-on-year. This was thanks to the increase in cash and cash equivalents and the additional interest earned on them.

The secunet group's earnings before tax thus increased from Euro 0.6 million in fiscal year 2004 to Euro 4.6 million in fiscal year 2005. In the light of the improved earnings situation, the realizability of deferred tax assets for loss carryforwards in the coming years became more probable. Accordingly, deferred taxes for loss carryforwards not previously recognized were capitalized with the result that the tax charge under minimum taxation of some Euro 562,000 fell Euro 200,000 to Euro 362,000. Consequently, the secunet group's net income was Euro 4.3 million in fiscal year 2005 compared with Euro 0.4 million in 2004, i.e. an almost tenfold increase. The basic earnings per share rose from Euro 0.07 to Euro 0.66.

On the basis of HGB (German Commercial Code) accounting secunet AG generated earnings before tax of Euro 3.9 million (previous year: Euro 0.7 million) on sales revenue of Euro 39.6 million (previous year: Euro 31.4 million). Net income rose from Euro 0.6 million in 2004 to Euro 3.3 million in fiscal year 2005. The earnings per share are 0.51 for 2005 compared with Euro 0.09 in 2004.

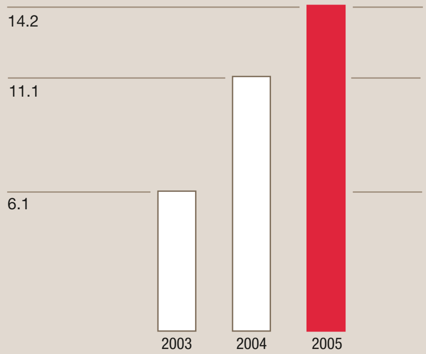
Earnings in the 4th quarter, 2005

In the fourth quarter of 2004, the secunet group had already achieved record sales revenue of Euro 13.6 million. In the final quarter of fiscal year 2005, we succeeded in beating this level by 5% with sales revenue of Euro 14.3 million. As in previous years, the fourth quarter was one very much of working on already placed orders.
Since costs remained largely unchanged, Q4 EBIT in 2005 climbed some 45% from Euro 1.1 to Euro 1.6 million.

Full order books

As of 31 December 2005, the secunet group had orders on hand of Euro 14.2 million, some 28% above the level at the end of 2004 (Euro 11.1 million).

Development of orders on hand as at 31 Dec in kEuro



The breakdown of the order level by quarters shows a clear seasonal pattern. In the first quarter, the level of orders is relatively low and few received. This is due to secunet's customer structure. Government units tend to work on the basis of provisional budgets during the first quarter that leave little scope for capital expenditure. During the second and third quarters, order levels rise sharply. Fewer orders are received in the fourth quarter because many projects are completed and settled in the ongoing budget year.

The secunet group's order levels have had an upward trend since 2004. The further development depends on the one hand on the extent secunet can expand its sales capacities. Here, resellers play an important role. On the other hand, the development of order levels depends on the extent secunet customers have integrated the already delivered components and have the resources for coping with further capital expenditure. In many cases customers must first bring the new security infrastructure on stream in their operations before placing further orders. Expanding the customers base is thus of vital importance for increasing order levels. Resellers that can tap other customer groups in Germany and a focused internationalization strategy can make important contributions to further growth.

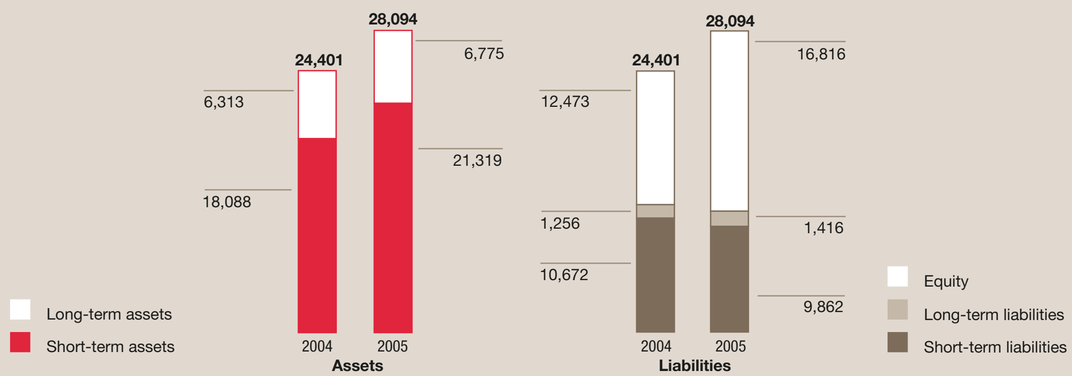
Financial and asset situation

The secunet group's total assets rose from Euro 24.4 million as of 31 December 2004 to Euro 28.1 million as of 31 December 2005. The changes in secunet Security Networks AG's balance sheet are clearly expressed by the balance sheet structure.

On the asset side of the balance sheet, cash and cash equivalents increased strongly in both absolute (+45% compared with the previous year) and relative terms. This was due to the good earnings development.

Trade accounts receivable declined. All the other items on the asset side of the balance sheet remained largely unchanged.

Balance sheet structure in kEuro



On the liabilities side of the balance sheet, the amount of equity was higher. The equity capital ratio rose 9 percentage points from 51% to 60%. At the same time, the proportion of trade accounts payable fell from 10% to 6%. The proportion of the other balance sheet items remained practically constant.

As in the previous year, secunet did not resort to any borrowings in fiscal year 2005, choosing to finance all spending from cash and cash equivalents instead. As there is no outstanding debt either, the debt ratio remained unchanged at 0%.

Capital expenditure and finance

In fiscal year 2005 some Euro 1.1 million was spend on capital expenditure. We invested in new and replacement hardware, software and other equipment. The spending on this rose 57% compared with the previous year. In 2004, capital expenditure amounted to Euro 3.0 million. The difference is due to the purchase price paid in 2004 to acquire Secartis AG (the cash component was about Euro 2.3 million).

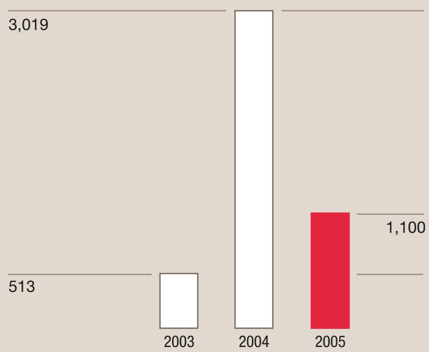
The capital expenditure was financed entirely from cash flow. The strong increase in cash flow from operations from Euro 2.9 million to Euro 5.2 million corresponds to the improvement in the secunet group's net profit.

Analysis of the development in non-financial performance indicators

R&D report

secunet conducts very little research and development. It is normal for suppliers to government units and in the high security sector to develop special solutions on the basis of customer orders. secunet did not develop any products for which there was no specific demand.

Investments in kEuro



Employees

The commitment, flexibility and competence of secunet's employees are part of our company's proven strengths.

At the end of fiscal year 2005, the secunet group had 216 employees, 8 persons or some 4% more than at the end of 2004. The increase in the headcount was mainly in the productive areas – staff were recruited for product management, sales, and also consultancy and development. Capacities were thus geared to the growing volume of business and at the same time production structures were optimized.

The employees at secunet are highly qualified: some 57% are university graduates and 16 have a doctorate. All employees have comprehensive practical experience in project and development work. In addition, secunet attaches great value to employees attending training and development actions so that their knowledge remains up to date.

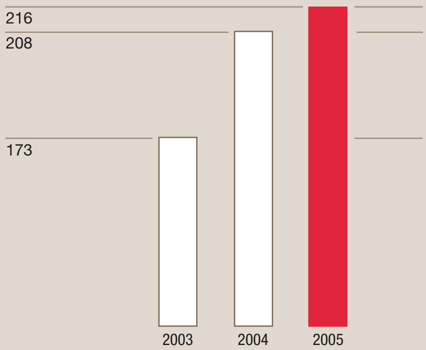
secunet also offers commercial apprenticeships.

Customer structure

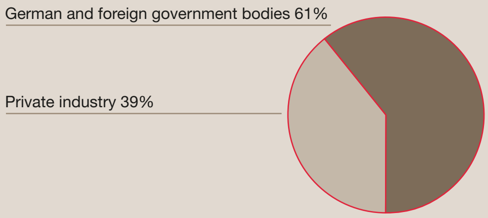
secunet focuses on customers in the public sector. The sales to government units and international organizations accounted for some 61% of group sales in 2005.

Expanding the customer potential for SINA in the private sector and abroad which we presented in the 2005 annual report is making good progress. We also consolidated existing customer relations in our consultancy business.

Development of employees
Number (as at 31 Dec 05)



Customer structure 2005



RISK REPORT

Risk management goals and methods

A risk committee is responsible for risk management at secunet Security Networks AG. It comprises representatives from all divisions and meets on a regular basis. All the developments that could constitute a risk for achieving our goals or even jeopardize the existence of the company are intensively monitored by the committee. The aim is gather information about risks and the related financial effects at the earliest possible stage. At the same time, the existing opportunities and the potential earnings they create are to be identified and exploited by the planning and controlling process.

Company-specific risks are assessed by the risk committee on the basis of their impact and probability. Then suggested countermeasures are drawn up. The board of management reviews these actions and carries them out in a timely manner.

Risk reporting

The major risks for secunet have been identified as the competitive environment, the customer structure and sales.

Risks in the competitive environment are on the one hand those that threaten secunet's technological market leadership. Therefore the risk committee regularly informed itself about the state of technological development of secunet's products and reviewed opinions from expert employees as to whether and to what extent the company's technological leadership is threatened by competitors' developments.
On the other hand, the competitive environment constitutes a risk where competitors challenge secunet's market position in dealings with government units. Competitors could for example strive for a similar market position in the public sector environment (for example as a security partner to the Federal Republic of Germany). This would expose secunet to much greater competitive pressure in this target group.

The risk factor customer structure arises in that secunet conducts a large part of its business with government bodies and public-sector organizations. Losing some of the demand from this customer group, for example through a spending freeze, would have a negative impact on sales and earnings. The risk committee discussed this risk in detail. IT capital expenditure and especially the capital expenditure on IT security are regarded as particularly important for the smooth fulfilling of government tasks, in particular in a world with ever more information technology. Thus although the risk of losing government demand is continuously monitored, it is currently regarded as relatively unlikely.

Focusing on government units as a customer group raises risks of a different nature: The wining of orders in protracted bidding procedures is uncertain. One example for the occurrence of such risks in fiscal year 2005 arose when secunet SwissIT, secunet Security Networks AG's subsidiary in Switzerland, was not awarded a project it had been bidding for over a longer period of time. A thorough risk assessment showed that there would be no economic loss for the group apart from the lost sales.

Risks from the development of new products that are not successful in the market are not conceivable for secunet. IT high security is strongly geared to customer requirements, off-the-shelf products are not produced. On the contrary, most of secunet's developments are based on orders placed and accordingly financed by the customer placing the order. If executing the individual order leads to a marketable product, this is to be regarded as an opportunity with a positive impact on sales and earnings. secunet multisign, a solution for the mass generation of qualified electronic signatures, was a result of projects relat-ing to the setting up of various trust centers, for example. In the biometrics segment too, product innovations arose from consultancy activities. Although these have yet to feed through to sales and earnings, they still constitute good opportunities.

Sales is thus regarded as a risk for secunet because our business results depend greatly on sales to new customers. To that extent, an effective sales organization is also an opportunity for the company's favorable development. Sales and earnings can also be impacted if insufficient sales capacities are available or they do not meet customers' requirements. These risks are regularly assessed. To this end, the risk committee always invites a representative from the secunet branches to its meetings so that they can report on the local sales situation.

The secure inter-network architecture SINA is secunet's lead product. Therefore, its related opportunities and risks are discussed separately. The possible risks are the failure of the technology and the resulting loss of image, the loss of political support and the loss of key technological personnel. The key opportunities are its significant potential for sales and earnings. Further opportunities are that all German government agencies could be equipped with SINA, that SINA can be successfully placed in industry and that international markets for SINA are tapped.

Opportunities for secunet arise in particular from major public-sector infrastructure projects that require major investment in IT security. These include the introduction of the electronic health card together with the corresponding health telematics and also the modernization of the German armed forces' communications infrastructure as part of the “Hercules” project. Both projects could make a positive contribution to sales and earnings at secunet Security Networks AG. When and how the projects will be implemented remains uncertain, however.

There are currently no risks apparent that could jeopardize the company’s existence.

BOARD OF MANAGEMENT REPORT AS PER SECT. 312 AKTG

In accordance with Sect. 312 Subs. 3 AktG, the board of management has drawn up a report on dealings with related companies for fiscal year 2005. The report contains the following closing statement: “We hereby state that our company received reasonable consideration for every transaction. This opinion is based on the circumstances known to us as the time of the reportable transactions. There were no further reportable transactions, actions, or omissions above and beyond those activities reported.”

SUPPLEMENTARY REPORT – SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

secunet Security Networks AG and Computacenter, Europe’s leading manufacturer-independent service provider for IT infrastructures, signed an agreement at CEBIT 2006 on the marketing of the SINA secure inter-network architecture. The aim of the agreement is to expand sales capacities and tap new customer segments in industry. During the previous CEBIT, the two companies had entered into a partnership on technical support for SINA.

Thus a sound foundation has been laid for our sales strategy of working closely with resellers. Further agreements of this nature are planned for Germany and abroad.

OUTLOOK

The market for IT security is a growth market. The main growth drivers are:

- >> The general need for basic protection of information and communications technology installations
- >> The equipping of new products and solutions with the necessary security systems
- >> The backlog in many areas of IT caused by security not being the focus of activities for so many years

The last two points in particular have a positive effect on secunet's business development. Identifying security weaknesses and developing the appropriate procedures, applications or products to prevent existing and potential security risks are some of the main drivers of secunet Security Networks AG's business.

For 2006, the following trends for growth in IT security can impact secunet's activities:

- >> In general, IT managers will be focusing on security. This will have an overall positive effect on the sector.
- >> Security for mobile IT infrastructures in companies and government agencies will become ever more important. SINA Virtual Workstation and Virtual Desktop meet this challenge: secunet can satisfy this specific demand.
- >> Ever more companies are automating their accounting departments and switching to the electronic generation and mailing of their invoices. With multisign, secunet can offer a product that can be optimally used in this field.

In general, sales in IT security is a derived function of the sales in the entire IT environment. The industry association BITKOM anticipates 5.0% growth in software and 4.7% in IT services to the German market for 2006. secunet is active in both areas. Market growth IT security is fueled by the demand from small- and medium-sized companies to further digitalize their processes and so reap efficiency gains.

International demand for information technology and telecommunications is also expected to grow: For the EU the European Information Technology Observatory (EITO) forecasts market growth of 3.2%.

For secunet, we expect sales to grow by more than the market average with respect SINA and in line with the market average for the other consultancy services and secunet's products. Overall, secunet should achieve a growth rate above the market average.

Hence we expect the positive growth in sales and earnings to continue. Past developments leave us confident that we can boost sales at a rate higher than that forecasted for the market average. The earnings development depends greatly on the sales structure (particularly: proportion of license sales) and on capacity utilization. In the medium term, we want to raise our EBIT margin to 15% and more.

The speed at which sales increase is often inversely proportional to profitability. In other words: rapid sales increases are often very expensive secunet will not achieve future growth at the cost of earnings.

secunet's future growth will be based on the following pillars:

- Improving the market position with the target group government units
- Gaining new customer target groups in Germany, particularly in the manufacturing sector
- Internationalization, by tapping the target group of European government agencies
- Opening up new competence fields in the product division
- Focused acquisitions

The volatility of project business makes it hard to forecast sales and earnings for the current fiscal year, still young when this report was written. As in previous years we will not make a forecast for 2006 until just before the annual general meeting in a few months' time.

Future-related statements

This annual report contains statements that relate to the future development of secunet Security Networks AG and also to economic and political developments. These statements are estimates that we made on the basis of all the information available to us at the present point in time. If the underlying assumptions do not materialize or other risks arise, then the actual outcome could differ from the currently expected outcome. Therefore we cannot accept any liability for these statements.

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Consolidated Financial Statements

Consolidated Balance Sheet of secunet Security Networks (IFRS)

Assets in Euro	Notes	**31 Dec 2005**	31 Dec 2004
Current assets			
Cash and cash equivalents	(1)	12,845,872.17	8,782,893.53
Trade accounts receivable	(2)	8,015,239.43	8,269,308.35
Accounts receivable from affiliated subsidiaries	(2)	66,394.46	542,338.00
Inventories		168,485.19	242,372.66
Other current assets	(2)	223,349.82	251,280.70
Total current assets		**21,319,341.07**	**18,088,193.24**
Non-current assets			
Property, plant and equipment	(3)	1,199,728.01	1,127,387.52
Intangible assets	(3)	160,740.92	121,941.19
Goodwill		2,950,000.00	2,950,000.00
Investments	(4)	245,691.63	143,751.11
Deferred taxes	(5)	2,218,929.67	1,969,563.17
Total non-current assets		**6,775,090.23**	**6,312,642.99**
Total assets		**28,094,431.30**	**24,400,836.23**

Equity and liabilities in Euro	Notes	31 Dec 2005	31 Dec 2004
Current liabilities			
Current portion of capital lease obligations	(6)	99,944.94	210,571.61
Short-term debt and current portion of long-term debt		0.00	1,820.00
Trade accounts payable	(6)	1,756,378.04	2,462,334.63
Accounts payable to affiliated companies	(6)	0.00	44,679.77
Advances received		0.00	784,080.36
Accrued expenses	(7)	5,822,417.11	5,369,607.19
Income tax liabilities		607,559.00	45,559.00
Other current liabilities	(6)	1,150,733.27	1,435,915.09
Deferred items		425,219.29	317,612.33
Total current liabilities		**9,862,251.65**	**10,672,179.98**
Non-current liabilities			
Capital lease obligations, less current portion	(6)	97,696.99	182,879.94
Deferred taxes	(5)	129,097.30	79,730.80
Pension provisions	(7)	1,189,664.56	993,027.00
Total non-current liabilities		**1,416,458.85**	**1,255,637.74**
Equity			
Subscribed capital	(8)	6,500,000.00	6,500,000.00
Capital reserves	(8)	21,922,005.80	21,922,005.80
Treasury stock	(8)	-168,771.13	-265,700.38
Accumulated deficit		-11,426,459.38	-15,705,593.41
Accumulated other comprehensive income/loss	(8)	-11,054.49	22,306.50
Total equity		**16,815,720.80**	**12,473,018.51**
Total equity and liabilities		**28,094,431.30**	**24,400,836.23**

Consolidated Financial Statements

Consolidated Income Statement of secunet Security Networks (IFRS)

in Euro	Notes	**1 Jan – 31 Dec 2005**	1 Jan – 31 Dec 2004
Revenues	(9)	40,821,571.69	32,377,178.18
Other operating income	(10)	2,058,957.62	785,883.68
Cost of purchased materials and services	(11)	-12,633,993.40	-8,943,912.66
Personnel expenses	(12)	-17,559,813.74	-15,662,816.19
Depreciation and amortization		-921,326.92	-906,725.84
Other operating expenses	(13)	-7,304,345.27	-7,104,207.76
Operating income/loss		**4,461,049.98**	**545,399.41**
Interest income/expense	(14)	176,264.18	82,920.54
Foreign currency exchange gains/losses		3,819.87	-2,143.53
Earnings before tax		**4,641,134.03**	**626,176.42**
Taxes on income	(15)	-362,000.00	-188,409.49
Net income/loss		**4,279,134.03**	**437,766.93**
Earnings per share (basic)		0.66	0.07
Earnings per share (diluted)		0.66	0.07
Average number of shares outstanding (basic)		6,450,507	6,420,196
Average number of shares outstanding (diluted)		6,500,000	6,500,000

Consolidated Cash Flow Statement of secunet Security Networks (IFRS)

in Euro	Notes	**1 Jan – 31 Dec 2005**	1 Jan – 31 Dec 2004
Cash flows from operating activities			
Net profit/loss		4,279,134.03	437,766.93
Adjustments for: Depreciation and amortization		921,326.92	906,725.84
Increase/decrease in provisions and deferred taxes		1,011,447.48	3,028,981.19
Net interest income		176,264.18	82,920.54
Cash flows to taxes		0.00	0.00
Gains/losses on the disposal of fixed assets		-34,608.00	0.00
Foreign currency exchange gains/losses		-3,819.87	2,143.53
Other (non-cash transactions)		96,929.25	18,838.82
Change in net working capital		-1,254,354.57	-1,597,057.26
Net cash used in/provided by operating activities		**5,192,319.42**	**2,880,319.59**
Cash flows from investment activities			
Acquisition of subsidiaries, less acquired cash and cash equivalents		0.00	-2,323,233.02
Acquisition of property, plant and equipment		-1,147,799.66	-695,700.91
Income from the sale of equipment		48,000.00	0.00
Net cash used in investment activities		**-1,099,799.66**	**-3,018,933.93**
Cash flow from financing activities			
Net cash provided by/used in financing activities		**0.00**	**0.00**
Net effect of currency translation in cash and cash equivalents		-29,541.12	26,020.25
Increase/reduction in cash and cash equivalents		**4,062,978.64**	**-112,594.09**
Cash and cash equivalents at beginning of period		8,782,893.53	8,895,487.62
Cash and cash equivalents at end of period		**12,845,872.17**	**8,782,893.53**

Consolidated Financial Statements

Consolidated Statement of Changes in Equity of secunet Security Networks (IFRS)

in Euro	Subscribed capital	Capital reserves	Treasury stock	Net loss	Accumulated other comprehensive income/loss	**Total**
Equity as at 31 Dec 2003	**6,500,000.00**	**21,922,005.80**	**-284,539.20**	**-16,143,360.34**	**-5,857.28**	**11,988,248.98**
Changes in treasury stock			18,838.82			18,838.82
Foreign currency differences					28,163.78	28,163.78
Net profit/loss 1 Jan - 31 Dec 2004				437,766.93		437,766.93
Equity as at 31 Dec 2004	**6,500,000.00**	**21,922,005.80**	**-265,700.38**	**-15,705,593.41**	**22,306.50**	**12,473,018.51**
Changes in treasury stock			96,929.25			96,929.25
Foreign currency differences					-33,360.99	-33,360.99
Net profit/loss 1 Jan - 31 Dec 2005				4,279,134.03		4,279,134.03
Equity as at 31 Dec 2005	**6,500,000.00**	**21,922,005.80**	**-168,771.13**	**-11,426,459.38**	**-11,054.49**	**16,815,720.80**

Notes to the secunet Security Networks Consolidated Financial Statements for fiscal year 2005 (IFRS)

General

secunet Security Networks Aktiengesellschaft (secunet), Essen, is listed in the "Prime Standard" segment of the Regulated Market in Frankfurt.

The secunet Group (hereinafter referred to as the group) renders security services in telecommunications and information technology, in particular consultancy and systems solutions for information security and related activities.

The financial statements were approved by the board of management after they were drawn up on 16 March 2006.

First application of standards

In 2005, the group used the following IFRS relevant for its business activities for the first time. The disclosures relating to fiscal year 2004 were – in so far as required – restated in accordance with the relevant regulations.

IAS 1	(revised 2003)	Presentation of financial statements
IAS 2	(revised 2003)	Inventories
IAS 8	(revised 2003)	Accounting and valuation methods, changes in accounting policies and fundamental errors
IAS 10	(revised 2003)	Events after the balance sheet date
IAS 16	(revised 2003)	Property, plant and equipment
IAS 17	(revised 2003)	Leases
IAS 21	(revised 2003)	Effects of changes in foreign exchange rates
IAS 24	(revised 2003)	Related party disclosures
IAS 27	(revised 2003)	Consolidated and individual financial statements
IAS 28	(revised 2003)	Investments in associated companies
IAS 32	(revised 2003)	Financial instruments: disclosures and presentation
IAS 33	(revised 2003)	Earnings per share
IAS 39	(revised 2003)	Financial instruments: recognition and measurement
IFRS 2	(issued 2004)	Share-based payment

The first use of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33 and 39 (all revised 2003) did not lead to any material changes in the group's accounting and valuation methods.

IAS 1 influenced certain reporting requirements.

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The application of IFRS 2 leads to a general change in the accounting and valuation methods for share-based payment. IFRS 2 is to be applied retrospectively for all equity instruments granted after 7 November 2002 and not exercisable as of 1 January 2005. For the group, the initial application did not lead to any changes in the accounting and valuation methods, because all equity instruments were granted before 7 November 2002.

All changes in accounting and valuation methods were carried out in compliance with the transition requirements of the standards in question.

Presentation of the main accounting and valuation methods

Principles

The consolidated financial statements were drawn up in compliance with the International Financial Reporting Standards (IFRS) as used in the European Union. The prerequisites of Sect. 315 a German Commercial Code (HGB) are complied with.

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates. In addition, the application of the company-wide accounting and valuation methods requires the management to make valuations. Areas with greater scope for evaluation or greater complexity and areas where assumptions and estimates are of material importance for the consolidated financial statements are included in the notes to the deferred taxes.

All estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances.

The group's fiscal year is the calendar year. The income statement was drawn up using the nature of expense method. The financial statements were drawn up on the basis of historical cost of purchase or manufacture. This does not apply to financial assets or liabilities reported at fair value after their initial recognition.

Owing to the group's project-oriented business, it does not have business segments. As foreign business accounts for only about 3.5% of total business, a geographical segment report has been dispensed with.

Reporting currency

The group's reporting currency is the euro.

The functional currency translation approach was adopted. In the consolidated financial statements, the balance sheet items of all foreign companies are translated from the respective local currency into euros at the mid-day rates prevailing on the balance sheet date, because the foreign companies included in the consolidated financial statements conduct their business independently in their local currency. Differences to the previous year's translation are offset against equity without any impact on earnings. Expense and income items are translated at average annual rates.

The following foreign exchange rates were used to translate currencies in countries not participating in the European Monetary Union:

1 Euro =	CHF	CZK
31 Jan 2005	1.5476	30.2116
28 Feb 2005	1.5385	29.7134
31 Mar 2005	1.5497	30.0030
30 Apr 2005	1.5383	30.5531
31 May 2005	1.5450	30.4786
30 Jun 2005	1.5478	30.0843
31 Jul 2005	1.5632	30.1854
31 Aug 2005	1.5511	29.6787
30 Sep 2005	1.5569	29.5820
31 Oct 2005	1.5453	29.6978
30 Nov 2005	1.5466	29.0668
31 Dec 2005	1.5584	28.9784
Average	**1.5490**	**29.8527**

Accounting principles

The consolidated financial statements include both secunet and all subsidiaries for which the group has control over their financial and business policies; normally accompanied by voting rights of more than 50%. There are no minority interests in the equity and net profit in the reporting period or in the previous year.

As at 31 December 2005, the scope of consolidation comprises three companies as in the previous year. Besides secunet, secunet SwissIT AG, Switzerland, and SECUNET s.r.o., Czech Republic are also consolidated.

The financial statements of secunet and the foreign subsidiaries included in the consolidation were drawn up on the basis of uniform accounting and valuation methods.

The purchase method of accounting is employed in accounting for the acquisition of businesses. Companies acquired or sold during the course of the fiscal year are included in the consolidated financial statements from the date of acquisition until the date they are sold. The revaluation method is used for capital consolidation.

Expenses and income and also accounts receivable and payable between consolidated companies are eliminated. Unrealized intercompany profits of minor importance are also eliminated. Write downs on investments in consolidated companies that were included in individual financial statements are reversed.

Consolidated Financial Statements

Financial instruments

The financial instruments reported in the balance sheet (financial assets and financial liabilities) within the meaning of IAS 32 and IAS 39 include certain financial assets, trade accounts receivable, investments, securities, cash and cash equivalents, trade accounts payable and certain other assets and liabilities based on contractual obligations.

Financial assets are divided into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, financial assets held to maturity and financial assets available for sale. The classification depends on the purpose for which respective financial assets were acquired. The management determines the classification of financial assets when they recognized for the first time and reviews this classification as of each balance sheet date.

After initial recognition, financial assets or liabilities are stated at their cost of acquisition, which corresponds to the fair value of the counter-performance including transaction costs. They are always recorded as of the trading date. Re-measurement varies for the different categories of financial assets or liabilities and is described in the accounting methods for the balance sheet items in question.

Financial assets are written off the balance sheet when the group has lost the contractual right arising from them. Financial liabilities are written of the balance sheet when the obligations in the contract have been settled, cancelled or have expired.

Disclosures about the type of financial instruments including material contractual agreements on the term and other conditions that can influence the size, timing and probability of future cash flows are included elsewhere in these notes.

Cash and cash equivalents

The group considers all highly liquid assets whose withdrawal or use is not restricted as cash and cash equivalents. These include cash in hand, sight deposits, and short-term bank deposits with a maturity of less than three months.

Accounts receivable and other assets

Accounts receivable and other financial assets are initially stated at fair value and subsequently valued at depreciated cost of acquisition less impairment write-downs. Short-duration accounts receivable and other financial assets without a fixed rate of interest are valued at the original invoice amount or the nominal value, in so far as the effect of the time value of money is immaterial. Those accounts receivable and other financial assets that do not have a fixed maturity are measured at cost (nominal value). All accounts receivable and other financial assets are subject to review for possible impairment.

Other assets not falling within the scope of IAS 39 are valued at cost. They are also subject to review for possible impairment.

Inventories

Inventories, which include almost solely goods for resale, are stated at the lower of cost of acquisition or manufacture or net realizable value.

Property, plant and equipment and intangible assets

Property, plant and equipment include solely factory and office equipment and are stated at their cost of acquisition less accumulated scheduled depreciation and impairment write-downs. When property, plant and equipment are sold or retired, their cost of acquisition or manufacture and accumulated depreciation and impairment write-downs are eliminated from the balance sheet, and the profit or loss resulting from their sale is reported in the income statement. The cost of acquisition also includes the individual attributable incidental acquisition costs and subsequent cost of acquisition. Reductions in purchase prices are deducted.

Subsequent costs of acquisition are only recorded as part of the asset's cost of acquisition or – in so far as appropriate – as a separate asset if it is probable that the group will gain an economic benefit from its use in future, and the asset's costs can be reliably identified. All other repairs and maintenance work are charged to the income statement in the fiscal year in which they arose.

The depreciation period is between three and ten years.

The residual book values and useful lives are reviewed and where necessary restated as at each balance sheet date.

Intangible assets are stated at their cost of acquisition or manufacture. Intangible assets are reported if it is probable that the group will gain an economic benefit from their use in future and the asset's cost of acquisition or manufacture can be reliably identified. Re-measurement is based on the cost of acquisition or manufacture less the accumulated scheduled depreciation, amortization, and impairment write-downs. With the exception of goodwill, intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and method are reviewed annually at the end of each fiscal year.

Software acquired for financial consideration is amortized on a straight-line basis over three years. Costs incurred to gain the original economic benefit of existing software systems are recorded as an expense once this work has been completed.

Goodwill is the excess of the cost of acquiring the company over the fair value of the group's share in the acquired company's net assets at the time of acquisition. Goodwill arising from acquiring companies is included in intangible assets. The goodwill is subjected to an annual impairment test and stated at its original cost of acquisition less accumulated write-downs.

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Impairments of assets

Assets without a certain useful life are not depreciated on a scheduled basis but tested annually for impairment. Assets subject to scheduled write-down are tested for impairment if appropriate events or changes in circumstances indicate that the book value may no longer be recovered. An impairment loss is recorded to reflect the amount by which the book value exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less disposal costs and the value in use. For the impairment test, assets are aggregated at the lowest level at which separate cash flows can be identified (cash generating units).

If there is an indication that the impairment no longer exists or is not so large, this reversal, apart from write-downs of goodwill, is recognized as revenue in the income statement.

Investments

The reserve capital resulting from reinsurance coverage reported under financial assets is valued at the repurchase value.

Taxes on income

Taxes on income include the tax charge based on the annual net income for the period with due consideration of tax timing. Deferred taxes are stated using the liabilities method for all timing differences between the tax balance sheets and the IFRS financial statements. The deferred tax assets also include tax reimbursement claims arising from the expected use of existing loss carryforwards in subsequent years. Deferred tax assets are stated to the extent it is probable that there will be a taxable profit available against which the difference can be used.

Leases

Lease agreements for tangible assets for which the group bears the material risks and rewards from ownership of the leased asset are classified as finance leases. Assets under finance leases are capitalized at the start of the lease at the lower of the lease asset's fair value and net present value of the minimum lease payments. The lease payments are divided into an interest and a repayment element.

Leases under which a significant part of the risks and rewards of ownership of leased asset remains with the lessor are classified as operating leases. Payments relating to an operating lease are recognized in the income statement on a straight-line basis over the life of the lease.

Liabilities

After initial recognition, all financial liabilities are valued at the depreciated cost of acquisition.

Other provisions

Other provisions include all legal and de-facto obligations to third parties identifiable on the balance sheet date that relate to past events and are uncertain in terms of amount or maturity. The provisions are stated at the fulfillment amount with the highest probability. Possible refund claims are not offset.

Pension provisions

Pension provisions for defined benefit plans are valued using the projected unit credit method. Estimated future obligations are valued using actuarial methods.

Actuarial gains and losses arising from adjustments and changes to actuarial assumptions made in the light of past experience are recognized in the income statement over the employees' expected residual service.

Deferred income

Deferred income items are recognized for counter-performances received by the company before the balance sheet date that represent income for a certain period after the balance sheet date.

Equity

The capital reserves result from payments received in connection with capital actions. They are available for offsetting against incurred losses and for capital increases from company funds.

Treasury stock is the treasury stock of the parent company that it itself holds. The acquisition of treasury stock is reported in the consolidated financial statements as changes in equity. No profit or loss for the selling, issuing or calling in of treasury stock is reported in the income statement. The counter-performance for such transactions is recognized in the consolidated financial statements as changes in equity.

Accumulated other comprehensive income/loss includes differences from the currency translations of foreign financial statements.

Recognition of revenue

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the company and the amount of the revenue can be measured reliably. Sales revenues adjusted for any discounts and sales tax are recognized when the performance has been completed and the risks and rewards of ownership have been transferred. Work in progress for customers is recognized as sales revenue pro rata to the completed work against the total performance owed.

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Notes on the Balance Sheet

(1) Cash and cash equivalents

The development of the cash and cash equivalents is shown in the cash flow statement on page 49. Cash and cash equivalents include a demand deposit at Commerzbank Essen of kEuro 12,300. The interest rate is 2.15% per annum.

(2) Accounts receivable and other assets

The remaining maturity of all accounts receivable is less than one year.

Trade accounts receivable include a deferred amount for consultancy services not yet charged to customers on 31 December 2005 of Euro 700,195.83 (previous year: Euro 902,168.67).

All accounts receivable from affiliated companies were trade accounts receivable in the reporting period and in the previous year.

The other current assets include mainly advance payments.

(3) Property, plant and equipment and intangible assets

Property, plant and equipment

The development of property, plant and equipment, which include solely factory and office equipment, is shown below:

in Euro	**2005**	2004
Accumulated acquisition costs as at 1 Jan	5,413,707.26	4,782,802.77
Additions	931,583.39	763,195.39
Disposals	-1,034,062.63	-132,290.90
As at 31 Dec	**5,311,228.02**	**5,413,707.26**
Accumulated depreciation as at 1 Jan	4,286,319.74	3,540,662.78
Additions	853,108.85	876,471.86
Disposals	-1,027,928.58	-130,814.90
As at 31 Dec	**4,111,500.01**	**4,286,319.74**
Residual book value on 31 Dec	**1,199,728.01**	**1,127,387.52**

Property, plant and equipment include 20 finance-leased company cars (previous year: 56 company cars) which are assigned to non-current assets (see also (6)).

There are no restrictions on the right of disposal over property, plant and equipment, nor was such pledged to lenders.

Intangible assets

The development of intangible assets is shown below:

Intangible assets

in Euro	2005 Goodwill	2005 Software	2004 Goodwill	2004 Software
Accumulated acquisition costs as at 1 Jan	2,950,000.00	696,864.23	0.00	591,752.19
Additions	0.00	107,017.35	2,950,000.00	104,423,55
Disposals	0.00	-26,077.41	0.00	0.00
As at 31 Dec	**2,950,000.00**	**777,804.17**	**2,950,000.00**	**696,175.74**
Accumulated amortization as at 1 Jan	0.00	574,923.04	0.00	543,980.57
Additions	0.00	68,218.07	0.00	30,253.98
Disposals	0.00	-26,077.86	0.00	0.00
As at 31 Dec	**0.00**	**617,063.25**	**0.00**	**574,234.55**
Residual book value on 31 Dec	**2,950,000.00**	**160,740.92**	**2,950,000.00**	**121,941.19**

In the previous year, the acquisition of SECARTIS AG led to goodwill of kEuro 2,950, no further goodwill is reported. To carry out the annual impairment test, the goodwill was allocated to secunet AG as the smallest cash-generating unit, because SECAR-TIS AG was dissolved as part of the merger with secunet AG. For the impairment test, the recoverable amount of secunet AG is determined on the basis of the fair value less disposal costs. The fair value reflects the best estimate of the amount which an independent third party would pay for secunet AG on the balance sheet date. The fair value was determined on the basis of the secunet AG share price on 31 December 2005 and amounts to kEuro 70,525 at a share price of Euro 10.85 per share. Even if high disposal costs are deducted, this value significantly exceeds secunet AG book value, so that there is no need to writedown the amount.

No expenses for research and development were incurred during the last two fiscal years.

(4) Financial assets

The reserve capital resulting from reinsurance coverage reported under financial assets of Euro 234,818.63 (previous year: Euro 134,726.11) results from the reinsurance of pension obligations for secunet employees assumed from previous employers.

(5) Deferred taxes

The group’s improved earnings led to a re-evaluation of the realizability of deferred tax assets for loss carryforwards in the reporting period. The deferred tax assets are determined on the basis of the budgets for the two following fiscal years allowing for the minimum tax rates. It is expected that about half of the deferred tax assets will be realized in the present fiscal year and the other half after 12 months.

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As at 31 December 2005, the amount of corporation tax and trade tax loss carryforwards for which no deferred tax assets were recognized was kEuro 5,911 and kEuro 4,159 respectively (previous year: kEuro 9,500 and kEuro 7,758 respectively). Foreign companies have kEuro 1,700 loss carryforwards (previous year: kEuro 1,450) for which no deferred taxes are recognized. The non-recognized deferred tax assets amount to kEuro 2,609 (previous year: kEuro 3,997).

As in the previous year, domestic deferred taxes were computed using a tax rate of 39.9% (trade income tax and corporation tax including solidarity surcharge).

Deferred taxes as stated in the balance sheet are shown below:

Balance sheet in Euro	**31 Dec 2005**	31 Dec 2004
Deferred tax assets		
due to provisions for pensions and similar obligations	204,186.10	220,762.75
due to loss carried forward/net profit for the year	1,926,148.97	1,707,879.39
due to other matters	88,594.60	40,921.03
	2,218,929.67	**1,969,563.17**
Deferred tax liabilities		
due to accounts receivable	-99,926.39	-50,559.89
due to other matters	-29,170.91	-29,170.91
	-129,097.30	**-79,730.80**
Total	**2,089,832.37**	**1,889,832.37**

The development of deferred taxes in the income statement is shown below:

Income statement in Euro	**1 Jan – 31 Dec 2005**	1 Jan – 31 Dec 2004
Deferred tax assets		
due to provisions for pensions and similar obligations	-16,576.65	98,976.34
due to loss carried forward/net profit for the year	218,269.58	-228,365.48
due to other matters	47,673.57	-21,563.56
	249,366.50	**-150,952.70**
Deferred tax liabilities		
due to accounts receivable	-49,366.50	8,102.21
due to other matters	0.00	0.00
	-49,366.50	**8,102.21**
Total	**200,000.00**	**-142,850.49**

(6) Liabilities

Until 31 December 2005, the company had entered into a total of 56 (previous year: 56) lease agreements for company cars for a net purchase price of Euro 1,445,670.93 (previous year: Euro 1,445,670.93). These lease agreements are to be regarded as finance leases and have a term of four years. The lessor is Autop Deutschland GmbH & Co. KG, Meerbusch. The cars are accounted for by secunet.

They are depreciated over four years on a straight-line basis. Finance lease liabilities are carried at the net present value of the lease payments. Computation was based on an internal rate of 3%.

in Euro	**31 Dec 2005 Book value**	**31 Dec 2005 Book value**	31 Dec 2005 Book value	31 Dec 2005 Book value
Up to 1 year	99,944.94	94,207.69	216,888.76	210,573.61
More than 1 year but less than 5 years	97,696.99	88,672.26	197,641.93	182,879.95
More than 5 years	0.00	0.00	0.00	0.00
Total	**197,641.93**	**182,879.95**	**414,530.69**	**393,453.56**

Interest income in the fiscal year amounted to Euro 38,267.25 (previous year: Euro 27,045.21).

Liabilities to affiliated companies comprise trade accounts payable.

The other current liabilities are broken down as follows:

in Euro	**31 Dec 2005**	31 Dec 2005
Wage and church tax payable	270,992.21	218,844.71
Social security contributions payable	281,399.35	270,100.09
Value added tax payable	341,327.16	613,306.75
Liabilities to employees	29,182.21	57,373.01
Other liabilities	227,832.34	276,290.53
Total	**1,150,733.27**	**1,435,915.09**

(7) Provisions

Provisions for pensions and similar obligations are formed for individual contractual commitments made by the company to employees. 22 former employees of other companies are entitled to pensions. New secunet employees are not entitled to pensions. Pension entitlement is dependent on income on the date of leaving the company. Entitlement to annual retirement pension commences on completion of the first ten years of service after attaining the age of 30 and increases for each further year of service with the company.

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The appraisal on 31 December 2005 was based on assumed trends for salary developments of 2.0% (previous year: 2.5%), a pension trend of 1.5% per annum (previous year: 1.5%) and a computed interest rate of 4.0% per annum (previous year: 5.5%). The calculation was based on the 2005 mortality tables by Prof. Dr. Klaus Heubeck.

Pension commitments as at 31 December 2005 amount to Euro 1,310,402.00. The difference compared with the balance sheet disclosure of Euro 1,189,664.56 results from an actuarial loss. In so far as non-realized actuarial gains/losses exceed 10% of the pension commitments, this higher amount is immediately recognized in the income statement.

The pension provisions developed in the reporting period as follows:

in Euro	**2005**	2004
As at 1 Jan	**993,027.00**	**556,975.00**
Addition due to change in scope of consolidation	0.00	365,967.00
Current service cost	109,755.55	69,149.00
Interest expense	36,116.00	44,590.00
Adjustments due to recorded actuarial losses/gains	50,766.01	-43,654.00
Expense for pension plans	**196,637.56**	**70,085.00**
As at 31 Dec	**1,189,664.56**	**993,027.00**

There was no utilization or reversal of the provision in 2005.

In the reporting period, secunet paid kEuro 1,015 (previous year: kEuro 772) in contributions to the statutory pension scheme, which is a defined-contribution pension scheme. Under such defined-contribution pension schemes, the company assumes no obligations beyond paying the contributions. The expenses are reported under personnel expenses.

The other provisions all have a term of less than one year and can be broken down as follows:

in Euro	1 Jan 2005	Utilization	Reversal	Addition	**31 Dec 2005**
End-of-year bonuses and benefits	2,793,651.15	-2,743,214.15	0.00	3,856,215.00	3,906,652.00
Outstanding vacation	284,337.25	-284,337.25	0.00	253,514.50	253,514.50
Contributions to employers' liability insurance association	90,000.00	-73,788.47	-16,211.53	90,000.00	90,000.00
Costs for preparing annual financial statements	72,689.40	-58,000.00	0.00	49,491.90	64,181.30
Outstanding invoices	1,213,954.95	-1,201,782.57	-1,898.00	389,209.26	399,483.64
Other	914,974.44	-618,007.90	-171,591.17	983,210.30	1,108,585.67
Total	**5,369,607.19**	**-4,979,130.34**	**-189,700.70**	**5,621,640.96**	**5,822,417.11**

(8) Equity

The development of the group's equity is shown on page 50.

The subscribed capital remains unchanged at Euro 6,500,000.00. It is divided into 6,500,000 bearer shares without par value. All shares are fully paid up. With a net profit of Euro 4,279,134.03, the basic earnings per share are Euro 0.66 (6,450,507 shares) after Euro 0.07 (6,420,196 shares) in the previous year.

The diluted earnings per share are Euro 0.66 (6,500,000 shares) after Euro 0.07 (6,500,000 shares) in the previous year.

The secunet capital reserves remain unchanged on the previous year at Euro 1,902,005.80 and comprise contributions by the shareholder prior to conversion of secunet into a stock corporation. Euro 20,020,000.00 relate to the share premium from the initial public offering.

Accumulated other comprehensive income/loss includes solely exchange rate differences from translating foreign financial statements.

No dividend was paid out for 2004. The secunet AG board of management has not proposed a dividend for 2005.

Stock option program

On 29 May 2001, the annual general meeting authorized secunet to issue a total of 100,000 share options to employees and members of the board of management in the period from 1 July 2001 to 31 December 2002 and a total of 6,500 convertible bonds to members of the supervisory board in the period from 2 January 2002 to 11 January 2002, all of which are serviced from treasury stock. To this end, secunet repurchased 83,688 shares of treasury stock at an average price of Euro 3.41 in previous years. At the end of fiscal year 2005, the company still held 49,493 shares (previous year: 77,918). The no-par shares have a mathematical nominal value of Euro 49,493.00. This corresponds to 0.8% (previous year: 1.3%) of the share capital. The carrying value of Euro 168,771.13 (previous year: Euro 265,700.38) is disclosed in a separate item under equity.

In fiscal year 2001, a total of 35,200 share options were issued to employees at a subscription price of Euro 3.00. 50% of the options could be exercised in April 2004 at the earliest and a further 50% not before November 2004. In fiscal year 2002, a total of 31,610 share options were issued to employees at a subscription price of Euro 3.00. 50% of the options could be exercised from December 2004 at the earliest and a further 50% not before December 2005.

In fiscal year 2002 a total of 10,000 share options were issued to members of the board of management at a subscription price of Euro 3.00. 50% of the options could be exercised in March 2004 or November 2004 respectively at the earliest and a further 50% not before March 2005 or November 2005 respectively. 5,000 options were exercised in fiscal year 2005.

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In fiscal year 2005, a total of 34,195 share options were exercised at an average price of Euro 9.16 (Xetra). As of the balance sheet date, 36,225 share options are outstanding and the remaining options have expired due to fluctuation.

All options are subject to the condition that the secunet share price is higher than the performance of the Prime Technology All Share Index and has risen by at least 10%. The issued options are valued using an option valuation model based on the fair value based method.

The following assumptions were made:

Volume of first tranche 2001: 22,080 shares (holding period: 2 years, exercise period 3 years)
Volume of second tranche 2001: 22,080 shares (holding period: 3 years, exercise period 2 years)
Volume of first tranche 2002: 18,335 shares (holding period: 2 years: exercise period 3 years)
Volume of second tranche 2002: 18,335 shares (holding period: 3 years, exercise period 2 years)
Annual fluctuation: 15%
Probability: 50%

The total value of the share options until fiscal year 2005 was Euro 73,108.00 as of 31 December 2005. Expense for wages and salaries in 2005 include pro-rata expenses from the stock option program of Euro 4,255.00 (previous year: Euro 16,594.00).

Income statement

(9) Sales revenue

Sales in 2005 were as follows:

in Euro	**2005**	2004
Consultancy (secunet services)	16,634,543.43	16,224,920.43
Special solutions (secunet products)	21,434,002.77	12,458,796.66
Bundled solutions (solutions with third-party products)	590,454.79	2,534,224.54
Partner distribution (third-party products)	2,162,570.70	1,159,236.55
Total	**40,821,571.69**	**32,377,178.18**

Total domestic sales were Euro 39,405,775.39 (previous year: Euro 31,305,114.91). Foreign sales were Euro 1,415,796.30 (previous year: Euro 1,072,063.27).

(10) Other operating income

The other operating income in the fiscal years ended is broken down as follows:

in Euro	**2005**	2004
Income from administrative and personnel services	51,191.31	84,045.75
Income from the reversal of provisions	148,100.70	29,305.53
Income from utilization of provisions	1,707,640.83	622,309.48
Other	152,024.78	50,222.92
Total	**2,058,957.62**	**785,883.68**

(11) Cost of materials

in Euro	**2005**	2004
Cost of purchased goods	10,820,572.73	6,516,723.35
Cost of purchased services	1,813,420.67	2,427,189.31
Total	**12,633,993.4**	**8,943,912.66**

(12) Personnel expenses

in Euro	**2005**	2004
Wages and salaries	11,273,600.20	10,690,003.11
End-of-year bonuses and benefits	3,741,135.69	2,655,726.81
Overtime payments	6,954.38	10,016.41
Other expenses for wages and salaries	38,935.90	30,377.52
Wages and salaries, total	**15,060,626.17**	**13,386,123.85**
Employer's contribution to social security	2,167,924.01	2,092,862.30
Employer's liability insurance association	90,000.00	82,433.40
Severely handicapped charge	36,000.00	23,140.00
Social security contributions	**2,293,924.01**	**2,198,435.70**
Addition to pension provision	196,637.56	70,085.00
Financial aid	8,626.00	8,171.64
Pension expenses	**205,263.56**	**78,256.64**
Personnel expenses	**17,559,813.74**	**15,662,816.19**

In fiscal year 2005, 202 employees were employed on average compared with 196 employees in the previous year (excluding board of management).

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(13) Other operating expenses

The other operating expenses can be broken down as follows:

in Euro	**2005**	2004
Rental and lease expenses	1,240,362.33	1,421,704.82
Addition to provisions	1,156,483.00	1,544,040.15
Travel expenses	1,043,346.45	943,339.77
Advertising expense	554,212.13	473,490.69
Vehicle costs	537,638.18	317,336.49
Postage, telephone and bank charges	292,066.19	232,669.61
Derecognition of accounts receivable	286,201.71	113,748.73
Ausbuchung von Forderungen	261,622.42	26,670.79
IT costs	261,221.77	304,789.25
Other consulting, expert opinions, information	256,963.39	319,641.76
Other third-party services	253,726.59	205,569.67
Servicing/maintenance	215,783.94	70,455.17
Insurance	132,309.86	104,994.41
Audit/pension expert opinion	115,221.53	138,305.10
Entertainment/representation	110,347.36	92,692.86
Office supplies	59,199.91	68,632.59
Other administrative services	53,884.97	158,238.29
Contributions/fees	30,313.47	21,475.49
Technical literature and prints	22,477.77	26,825.65
Legal advice	1,524.56	19,960.66
Other	419,437.74	499,625.81
Total	**7,304,345.27**	**7,104,207.76**

(14) Interest income/expense

Interest income of Euro 182,955.57 (previous year: Euro 98,477.17) results from income from time and overnight deposits with banks.

In 2005, interest expense of Euro 6,691.39 (previous year: Euro 15,556.63) includes third-party financing of foreign subsidiaries.

(15) Taxes on income

In the year under review, actual taxes of Euro 562,000 were incurred (previous year: Euro 46,378.68).

The income tax expense is based on the theoretical tax expense. As in the previous year, a tax rate of 39.9% was applied to the pre-tax earnings.

in Euro	**2005**	2004
Earnings before tax	4,641,134.03	626,176.42
Theoretical tax income/expense	-1,851,812.48	-249,844.39
Taxation difference abroad	102,268.58	106,993.90
Re-evaluation of loss carryforward utilization	1,387,543.90	0.00
Unusable loss carryforwards	0.00	-45,559.00
Effective tax expense	-362,000.00	-188,409.49

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents during the course of the year under review. A distinction is made between operating, investment and financing activities. Cash and cash equivalents include cash on hand, checking accounts, and time/overnight deposits with banks.

The cash used for operating activities was calculated using the indirect method.

In the year under review, the interest expense was Euo 6,691.39 (previous year: Euo 15,556.63) and interest income was Euo 182,955.57 (previous year: Euo 98,477.17). Other taxes were paid to the total of Euo 19,460.32 (previous year: Euo 2,469.33).

Other disclosures

Financial instruments

Liquidity risks

Liquidity risks can arise when customers are not in a position to meet their obligations to the group. The group controls this risk by regularly appraising its customers' solvency.

Default risks

Default risks or risks that contractual partners cannot meet their payment obligations are countered through approval and monitoring procedures.
The group's maximum default risks are determined by the entire receivables portfolio. The group is not exposed to any unusual default risks relating to individual or groups of contractual partners.

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Cash and cash equivalents

The book value of the cash equivalents more or less corresponds to their fair value owing to the relatively short terms of these financial instruments.

Short-term debt and other current liabilities and current portion of long-term liabilities

The book value more or less corresponds to the fair value owing to the short term to maturity of these financial instruments.

Operating leases

The company's other financial obligations result primarily from long-term lease agreements for office space. In the year under review, 48 lease agreements for company cars with a net purchase price of Euro 1,514,255.17 were concluded to replace expired lease agreements. These are to be regarded as operating leases and have a term of four years. The lessor is the Mobility Concept GmbH, Unterhaching. These vehicles are accounted for by the lessor.

Nominal/in Euro	**2005**	2004
Long-term lease agreements for sundry office space	4,172,338.46	3,110,557.36
Lease agreements for factory and office equipment	1,133,677.78	35,908.71
Total	**5,306,016.24**	**3,146,466.07**

The obligations' maturity is shown below:

Nominal/in Euro	**2005**	2004
Up to 1 year	1,563,325.26	873,794.26
More than 1 year but less than 5 years	3,734,726.98	2,272,671.81
More than 5 years	7,964.00	0.00
Total	**5,306,016.24**	**3,146,466.07**

Corporate governance

secunet AG issued the declaration required as per Sect. 161 AktG and made it available to shareholders.

Corporate boards

The following persons were members of the board of management in the reporting period:

Dr. rer. nat. Rainer Baumgart, chairman
Dr. rer. nat. Steffen D. Frischat
Dipl.-Ingenieur Thomas Koelzer
Dipl.-Betriebswirt (FH) Thomas Pleines

The remuneration for the members of the board of management comprised a fixed and a performance-related component.

In addition, the members of the board of management received stock appreciation rights as a variable component of remuneration with a long-term incentive effect under the stock option plan. The details of stock option plan are shown in the notes on equity.

For fiscal year 2005, payments to the board of management were as follows:

in kEuro	Fixed remuneration	Variable remuneration	from share options	Total
Dr. Baumgart	151	114	39	304
Dr. Frischat	100	114	0	214
Koelzer	123	114	0	237
Pleines	133	114	0	247
	507	**456**	**39**	**1,002**

The payments to the board of management in the previous year amounted to kEuro 560. This comprised kEuro 500 fixed and kEuro 60 variable components.
During the current fiscal year, two members of the board of management received a total of 10,000 share options. Dr. Baumgart exercised 5,000 share options, Mr. Pleines still holds 5,000 share options.

As at 31 December 2005, the members of the board of management held the following pension rights:

in Euro	Net present value	Current service cost
Dr. Baumgart	190,325.00	10,573.61
Dr. Frischat	30,606.00	6,121.20
Koelzer	39,767.00	7,953.40
Pleines	127,447.00	9,103.36

As at 31 December 2005, members of the board of management held a total of 18,350 shares in secunet (previous year: 32,000).
For fiscal year 2005, payments to the supervisory board amounted to kEuro 32,9 (previous year: kEuro 33,6).

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Auditor’s fees

For 2005, the auditor’s fees for auditing the financial statements were kEuro 59, kEuro 40 for tax consulting services, and kEuro 2 for other services.

Relationships to Giesecke & Devrient GmbH related companies

secunet is a 50.1% subsidiary of Giesecke & Devrient GmbH, Munich. secunet and its consolidated financial statements are included in the consolidated financial statements of Giesecke & Devrient GmbH.

Another related company is Aktaios Verwaltungs-GmbH, which has a 30% stake via its subsidiary CUBIS COM Holding GmbH.

The following transactions were carried out in the aforementioned period with the Giesecke & Devrient GmbH group of companies:

1. Sales resulting from services with affiliated companies in the Giesecke & Devrient Group

in Euro	**2005**	2004
Giesecke & Devrient GmbH, Munich	1,640,224.29	2,214,486.08
Papierfabrik Louisenthal GmbH, Gmund	28,494.15	14,489.26
Giesecke & Devrient GB Ltd., Wembley/Great Britain	9,658.08	29,142.45
Giesecke & Devrient Asia Pte. Ltd., Singapore	3,056.49	117,144.40
Giesecke y Devrient de México S.A. de C.V., Tlalnepantla de Baz/Mexico	990.00	0.00
GyD Ibérica S.A., Barcelona/Spain	0.00	990.00
Total	**1,682,423.01**	**2,376,252.19**

All transactions were at market prices.

2. Services from affiliated companies in the Giesecke & Devrient Group

in Euro	**2005**	2004
Giesecke & Devrient GmbH, Munich	405,081.43	210,531.91
Huangshi WanDa Security Card Co. Ltd., Huangshi/China	0.00	85,687.55
Giesecke & Devrient Egypt LLC, Cairo/Egypt	0.00	5,828.75
Total	**405,081.43**	**302,048.21**

All transactions were at market prices.

3. Accounts receivable from affiliated companies in the Giesecke & Devrient Group

in Euro	2005	2004
Giesecke & Devrient GmbH, Munich	51,936.86	417,021.52
Giesecke & Devrient Asia Pte. Ltd., Singapore	9,209.34	117,144.40
Papierfabrik Louisenthal GmbH, Gmund	5,248.26	7,182.08
GyD Ibérica S.A., Barcelona/Spain	0.00	990.00
Total	**66,394.46**	**542,338.00**

4. Liabilities to affiliated companies in the Giesecke & Devrient Group

in Euro	2005	2004
Giesecke & Devrient GmbH, Munich	0.00	44,679.77
Total	**0.00**	**44,679.77**

There were no transactions with companies that have a participation relationship to Giesecke & Devrient GmbH.

In the period under review, there were sales of kEuro 8 (previous year: kEuro 51) and expenses of kEuro 739 (previous year: kEuro 291) settled with Aktaios Verwaltungs-GmbH and subsidiaries. All transactions were at market prices.

As of the balance sheet date, there were no accounts receivable (previous year: kEuro 19) and liabilities of kEuro 55 (previous year: kEuro 14) with the Aktaios Group.

Events after the balance sheet date

secunet Security Networks AG and Computacenter, Europe's leading manufacturer-independent service provider for IT infrastructures, signed an agreement at CEBIT 2006 on the marketing of the SINA secure inter-network architecture. Further details can be found in the management report.

The board of management
Essen, 16 March 2006

Dr. Rainer Baumgart   Dr. Steffen D. Frischat   Thomas Koelzer   Thomas Pleines

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Audit Certificate:

We have audited the consolidated financial statements drawn up by secunet Security Networks Aktiengesellschaft – comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and notes – and the group management report which has been combined with the management report of secunet Security Networks Aktiengesellschaft for the fiscal year from 1 January to 31 December 2005. In accordance with IFRS, as required in the EU, and the supplementary commercial regulations to be applied under Sect. 315a of the German Commercial Code (HGB), the preparation of the consolidated financial statements and the combined management report is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and combined management report based on our audit.

We undertook our audit as per Section 317 Commercial Code (HGB) and the German generally accepted standards for the audit of Consolidated Financial Statements promulgated by the German Institute of Certified Public Accountants (IDW) with due consideration of the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the appropriate accounting principles and in the combined management report are detected with reasonable assurance. Knowledge of the group's business activities and the economic and legal environment of and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and combined management report are examined primarily on a test basis within the framework of the audit. An audit includes examining the financial statements of the companies being consolidated and the determination of the companies being included in this consolidation, the principles of accounting and consolidation, as well as assessing significant estimates made in the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit led to no objections.

The insights gained from our audit have shown that the consolidated financial statements comply with IFRS, as required in the EU, and the supplementary commercial regulations to be applied under Sect. 315a of the German Commercial Code (HGB), and give an appropriate presentation of the group's actual assets, financial situation and development of earnings The combined management report is consistent with the consolidated financial statements, provides a fair understanding of the group's position, and presents fairly the opportunities and risks of future development.

Essen, 17 March 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

M. Grimm	ppa. D. Fouquet
Auditor	Auditor

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secunet Security Networks AG Balance Sheet as of 31 December 2005

Assets in Euro	Notes	**31 Dec 2005**	31 Dec 2004
A. Non-current assets			
I. Intangible assets		2,749,470.00	2,914,539.00
II. Property, plant and equipment		933,690.89	592,454.60
III. Financial assets		1,209,993.31	603,052.79
Total non-current assets	(1)	**4,893,154.20**	**4,110,046.39**
B. Current assets			
I. Inventories	(2)	790,157.54	1,092,022.90
II. Accounts receivable and other assets	(3)	6,104,503.10	7,768,078.37
III. Marketable securities	(4)	168,771.13	265,700.38
IV. Liquid assets	(5)	12,732,908.49	8,674,858.69
Total current assets		**19,796,340.26**	**17,800,660.34**
C. Deferred items		**50,702.90**	**64,471.60**
Total assets		**24,740,197.36**	**21,975,178.33**

Equity and liabilities in Euro	Notes	**31 Dec 2005**	31 Dec 2004
A. Equity capital			
I. Subscribed capital		6,500,000.00	6,500,000.00
II. Capital reserves		21,656,305.42	21,656,305.42
III. Reserves for treasury stock		168,771.13	265,700.38
IV. Accumulated deficit		-13,623,038.98	-17,008,650.50
Total equity	(6)	**14,702,037.57**	**11,413,355.30**
B. Provisions	(7)	**6,980,263.39**	**5,833,985.68**
C. Liabilities	(8)	**2,632,677.12**	**4,444,845.86**
D. Deferred items		**425,219.28**	**282,991.49**
Total equity and liabilities		**24,740,197.36**	**21,975,178.33**

Income Statement of secunet Security Networks AG (HGB) for the period from 1 January to 31 December 2005

in Euro	Notes	**2005**	2004
1. Sales revenue	(9)	39,649,616.18	31,436,242.06
2. Inventory changes		-210,341.00	-54,044.00
3. Other operating income	(10)	2,055,395.19	1,015,983.80
4. Costs of materials	(11)	-12,291,564.94	-8,574,477.41
5. Personnel expenses	(12)	-16,645,483.19	-14,771,934.73
6. Depreciation and amortization of intangible fixed assets and property, plant and equipment	(13)	-831,172.03	-718,263.03
7. Other operating expenses	(14)	-7,968,791.31	-7,036,532.10
8. Net interest income	(15)	166,916.16	-634,062.98
9. Income from ordinary activities		**3,924,575.06**	**662,911.61**
10. Taxes	(16)	-635,892.79	-46,378.68
11. Net income/loss		**3,288,682.27**	**616,532.93**
12. Withdrawal from reserve for treasury stock		96,929.25	0.00
13. Loss carried forward		-17,008,650.50	-17,625,183.43
14. Accumulated deficit		**-13,623,038.98**	**-17,008,650.50**

Financial Statements of secunet AG

Development of Fixed Assets of secunet Security Networks AG (HGB)

	Acquisition costs			
in Euro	As of 1 Jan 2005	Additions	Reposting	Retirements
I. Intangible assets				
Industrial property and similar rights	246,806.80	17,085.00	0.00	-16,980.00
Software	523,967.11	82,591.11	0.00	-9,097.41
Goodwill	2,950,000.00	0.00	0.00	0.00
Intangible assets, total	**3,720,773.91**	**99,676.11**	**0.00**	**-26,077.41**
II. Property, plant, and equipment				
Other plant, factory and office equipment	4,306,300.52	903,418.32	6,133.60	-1,035,943.59
Advanced payments and construction in progress	8,756.60	17,636.89	-6,133.60	0.00
Property, plant and equipment, total	**4,315,057.12**	**921,055.21**	**0.00**	**-1,035,943.59**
III. Financial assets				
Interests in affiliated companies	556,539.96	0.00	0.00	0.00
Loans to affiliated companies	1,545,550.26	505,000.00	0.00	0.00
Shareholdings	38,524.72	0.00	0.00	-38,524.72
Other loans				
DEBRIV settlement claims	9,025.00	1,848.00	0.00	0.00
Reserve capital resulting from reinsurance coverage	134,726.11	100,092.52	0.00	0.00
Financial assets, total	**2,284,366.05**	**606,940.52**	**0.00**	**-38,524.72**
Total fixed assets	**10,320,197.08**	**1,627,671.84**	**0.00**	**-1,100,545.72**

	Accumulated depreciation and amortization				Book values	
As of 31 Dec 2005	As of 1 Jan 2005	Additions	Retirements	**As of 31 Dec 2005**	As of 31 Dec 2005	As of 31 Dec 2004
246,911.80	246,806.80	3,325.00	-16,980.00	233,151.80	13,760.00	0.00
597,460.81	411,928.11	64,800.11	-9,097.41	467,630.81	129,830.00	112,039.00
2,950,000.00	147,500.00	196,620.00	0.00	344,120.00	2,605,880.00	2,802,500.00
3,794,372.61	**806,234.91**	**264,745.11**	**-26,077.41**	1,044,902.61	2,749,470.00	2,914,539.00
4,179,908.85	3,722,602.52	566,426.92	-1,022,551.59	3,266,477.85	913,431.00	583,698.00
20,259.89	0.00	0.00	0.00	0.00	20,259.89	8,756.60
4,200,168.74	**3,722,602.52**	**566,426.92**	**-1,022,551.59**	**3,266,477.85**	**933,690.89**	**592,454.60**
556,539.96	529,238.28	0.00	0.00	529,238.28	27,301.68	27,301.68
2,050,550.26	1,113,550.26	0.00	0.00	1,113,550.26	937,000.00	432,000.00
0.00	38,524.72	0.00	-38,524.72	0.00	0.00	0.00
10,873.00	0.00	0.00	0.00	0.00	10,873.00	9,025.00
234,818.63	0.00	0.00	0.00	0.00	234,818.63	134,726.11
2,852,781.85	**1,681,313.26**	**0.00**	**-38,524.72**	**1,642,788.54**	**1,209,993.31**	**603,052.79**
10,847,323.20	**6,210,150.69**	**831,172.03**	**-1,087,153.72**	**5,954,169.00**	**4,893,154.20**	**4,110,046.39**

Financial Statements of secunet AG

Notes to the secunet Security Networks AG Financial Statements for fiscal year 2005 (HGB)

General principles

The annual financial statements of secunet AG were drawn up in accordance with the requirements of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). For improved clarity and intelligibility of presentation, individual items have been summarized in the balance sheet and the income statement; these have then been reported and explained separately in the notes. Amending the balance sheet layout defined in the German Commercial Code, the “Financial assets” item was extended to include the item “Reserve capital resulting from reinsurance coverage”. The income statement was drawn up using the nature of expense method.

Accounting principles and valuation methods

Accounting and valuation are based on the principles stated below:

Assets

Fixed assets

The intangible assets acquired for financial consideration are valued at cost and amortized as scheduled over their respective useful life using the straight-line method.

This item includes in the main the goodwill resulting from the acquisition of SECARTIS AG, which will be amortized over a period of 15 years.

Tangible assets are valued at the cost of acquisition or manufacture and depreciated over their expected useful lives using the straight-line or declining-balance method.

Whenever the declining-balance method of depreciation is used, this is done with the highest possible rates permitted by tax law. Switching from the declining-balance to the straight-line method of depreciation takes place in the year in which in the straight-line depreciation amount exceeds the declining-balance depreciation amount. Low-value assets are written off in full and stated as disposals in the year of acquisition.

Shares in affiliated companies and investments are stated at cost. Loans to affiliated companies and other loans are reported at their nominal value. Financial assets are written down to their fair value to reflect permanent impairments. The balance-sheet value of reserve capital resulting from reinsurance coverage was determined on the basis of an actuarial report.

Current assets

Inventories are valued the cost of acquisition or manufacture in accordance with Guideline 33 of the German Income Tax Regulations (EStR) or lower values on the balance sheet date. The costs of manufacture for work in progress include both the directly attributable costs and appropriate proportions of the necessary material and production overheads, and general administration expenses. Expenses for voluntary social benefits, company pension plans, and interest on debt capital are not capitalized. The principles of valuation without loss are complied with.

The accounts receivable and other assets are valued at their nominal values less suitable deductions for identifiable individual risks. The general credit risk is covered by general provisions based on past experience.

The treasury stock reported under marketable securities is at valued the lower of cost or stock market price. In the year under review, it is reported at cost.

Liabilities

Adequate provisions have been made for all identifiable risks, contingent liabilities and pending losses.

Provisions for pensions and similar obligations are computed on the basis of the actuarial report and an interest rate of 6%. They correspond to the going-concern value resulting from current pension payments as per Sect. 6 a EStG and the accrued pension rights on the balance sheet date. As of 31 December 2005, the provisions were fully adjusted to the new “Mortality and Disability Tables 2005 G” by Klaus Heubeck.

Liabilities are carried at the repayment sum.

Unhedged foreign currency accounts receivable and liabilities are valued at cost or the exchange rate on the balance sheet date if the latter is less favorable.

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Notes on the Balance Sheet and Income Statement of secunet Security Networks AG

(1) Fixed assets

The breakdown and development of secunet AG's fixed assets are shown in the fixed-assets movement schedule.

(2) Inventories

in Euro	**31 Dec 2005**	31 Dec 2004
Work in progress	639,309.24	849,650.24
Goods for resale	114,848.30	242,372.66
Advances paid for inventories	36,000.00	0.00
Total	**790,157.54**	**1,092,022.90**

(3) Accounts receivable and other assets

in Euro	**31 Dec 2005**	31 Dec 2004
Accounts receivable, trade	5,568,266.55	6,450,789.43
Receivables from affiliated subsidiaries of which accounts receivable, trade	387,312.68 (313,280.64)	1,187,670.42 (1,187,670.42)
Other assets	148,923.87	129,618.52
Total	**6,104,503.10**	**7,768,078.37**

All accounts receivable have a residual term of less than one year.

(4) Marketable securities

Marketable securities comprise treasury stock. This is reported at cost. As of the balance sheet date, the company holds 49,493 shares of treasury stock (previous year: 77,918), which corresponds to 0.761 percent of the share capital (previous year: 1.199 percent). 28,425 shares were sold at a price of Euro 3.00 (under the stock option program). The sold shares correspond to 0.437 percent of the share capital.

(5) Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits.

(6) Equity

The share capital is stated at nominal value. The subscribed capital is Euro 6,500,000.00. It is divided into 6,500,000 bearer shares without par value.

A reserve for treasury stock is reported for the treasury stock stated under current assets (Euro 168,771.13). The reserve for treasury stock has been adjusted to reflect the write-down in treasury stock and the change in the number of exercised employee stock options.

The accumulated deficit includes a loss brought forward of Euro 17,008,650.50.

Giesecke & Devrient GmbH informed secunet AG that it holds a majority interest in secunet AG (50% plus one share). The previous secunet AG majority shareholder, RWTÜV AG, still has a shareholding of approximately 29.6%.

(7) Provisions

in Euro	**31 Dec 2005**	31 Dec 2004
Provisions for pensions and similar obligations	594,845.00	491,559.00
Provisions for income tax and back-tax claims following an external wage tax audit	663,417.00	45,559.00
Other provisions	5,722,001.39	5,296,867.68
Total	**6,980,263.39**	**5,833,985.68**

The other provisions include mainly obligations towards personnel, outstanding invoices and follow-up costs

(8) Liabilities

in Euro	**31 Dec 2005**	31 Dec 2004
Advances received for orders	0.00	767,757.00
Accounts payable, trade	1,648,876.17	2,459,039.00
Liabilities to affiliated companies	44,977.50	0.00
of which accounts payable, trade	(44,977.50)	(0.00)
Other liabilities	938,823.45	1,218,049.86
of which taxes	(612,319.37)	(832,151.46)
of which for social security	(281,399.35)	(270,100.09)
Total	**2,632,677.12**	**4,444,845.86**

All liabilities have a residual term of less than one year

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(9) Sales revenue

Sales revenues were generated in the following regions:

in Euro	**2005**	2004
Domestic	37,881,761.98	29,281,821.64
Foreign	1,767,854.20	2,154,420.42
Total	**39,649,616.18**	**31,436,242.06**

Sales in 2005 were as follows:

in Euro	**2005**	2004
Consultancy (secunet services)	15,462,587.92	15,283,984.31
Special solutions (secunet products)	21,434,002.77	12,458,796.66
Bundled solutions (solutions using third-party products)	590,454.79	2,534,224.54
Partner distribution (third-party products)	2,162,570.70	1,159,236.55
Total	**39,649,616.18**	**31,436,242.06**

(10) Other operating income

Other operating income of Euro 2,055,395.19 includes mainly income from the reversal of provisions relating to several types of expense and incidental revenues.

(11) Costs of materials

in Euro	**2005**	2004
Cost of purchased goods	10,806,784.95	6,502,531.24
Cost of purchased services	1,484,779.99	2,071,946.17
Total	**12,291,564.94**	**8,574,477.41**

(12) Personnel expenses

in Euro	**2005**	2004
Wages and salaries	14,418,295.09	12,729,623.03
Social security contributions	2,112,464.10	1,965,954.06
Pension expenses	106,098.00	68,186.00
Support expenses	8,626.00	8,171.64
Total	**16,645,483.19**	**14,771,934.73**

Personnel expenses include a difference totaling Euro 18,785.00. This corresponds to the added expense of additions to pension provisions based on the Heubeck 2005G mortality tables compared with those of 1998.

(13) Depreciation and amortization of intangible and tangible fixed assets

Individual depreciation and amortization items are listed in the fixed assets movements schedule.

(14) Other operating expenses

Other operating expenses of Euro 7,968,791.31 include mainly advertising expenses, travel expenses, rent and lease expenses, training and development, vehicle, administrative, IT, legal, consulting and audit costs.

(15) Financial result

in Euro	**2005**	2004
Other interest and similar income	183,451.77	98,256.70
of which from affiliated companies	(38,864.49)	(35,229.21)
Writedowns on financial assets and marketable securities	-11,654.25	-720,000.00
Interest and similar expenses	-4,881.36	-12,319.68
of which to affiliated companies	(0.00)	(-7,047.20)
Total	**166,916.16**	**-634,062.98**

(16) Taxes

in Euro	**2005**	2004
Taxes on income	562,000.00	45,559.00
Other taxes	73,892.79	819.68
Total	**635,892.79**	**46,378.68**

Other disclosures

Employees

The average number of persons employed during the year including the four members of the board of management was 193 (previous year: 184 – including four members of the board of management).

Other financial obligations

The total amount of other financial obligations on the balance sheet date was Euro 5,542,227.73. These mainly consist of the nominal amount of the obligations arising from lease agreements for office space; of which Euro 1,628,487.66 are due within one year. Of the total obligations Euro 1,367,906.88 result from obligations to affiliated companies.

Contingencies

secunet AG has issued an unlimited letter of comfort to secunet SwissIT AG, Switzerland.

Financial Statements of secunet AG

Relationships to affiliated companies

Owing to the consolidation relationship within the meaning of Sect. 290 HGB, secunet AG is included in the consolidated financial statements of Giesecke & Devrient GmbH, Munich for fiscal year 2005. Giesecke & Devrient GmbH files its consolidated financial statements with the Commercial Register maintained by Munich Local Court. secunet AG also prepares its own consolidated financial statements.

Auditor's fee

The auditor's fee for 2005 amounted to kEuro 59 for audit work, kEuro 40 for tax consulting services, and kEuro 2 for other services.

Other information

Total compensation for the board of management in fiscal year 2005 amounted to kEuro 963. This amount is divided into kEuro 507 fixed and kEuro 456 variable components and also kEuro 39 from stock options.

A total of 18,350 secunet AG shares were held by members of the board of management as at 31 December 2005. Members of the board of management held 5,000 options under stock option programs

Payments to the supervisory board amounted to kEuro 33 in the reporting period.

Members of the supervisory board did not hold any shares in the company as of the balance sheet date.

secunet AG issued the declaration required as per Sect. 161 AktG and made it available to shareholders on the Internet.

Essen, 16 March 2006

Dr. Rainer Baumgart   Dr. Steffen D. Frischat   Thomas Koelzer   Thomas Pleines

Corporate boards

Board of management

Dr. rer. nat. Rainer Baumgart
chairman (secunet AG shareholding: 18,350;
share options: 0)

Dr. rer. nat. Steffen D. Frischat
(secunet AG shareholding: none, share options: none)

Dipl.-Ingenieur Thomas Koelzer
(secunet AG shareholding: none, share options: none)

Dipl.-Betriebswirt (FH) Thomas Pleines
(secunet AG shareholding: none; share options: 5,000)

Supervisory board

Dr. Karsten Ottenberg
Hamburg
Chairman (since 9 June 2005)
Chairman of the executive management of
Giesecke & Devrient GmbH, Munich

Dr.-Ing, Wilhelm Wick
Essen
Deputy Chairman
Chairman of the board of management of RWTÜV AG, Essen
Deputy chairman of the board of management of RWTÜV e.V., Essen

Other memberships in supervisory boards/
controlling bodies

Cetecom GmbH, Essen
RWTÜV Systems GmbH, Essen
TÜV NORD AG, Hanover
TÜV Thüringen e.V., Erfurt
VAI Van Ameyde International B.V.,
Rijswijk/Netherlands

Dipl.-Kaufmann Peter Eisenbacher
Holzgerlingen
Member of the executive management of Eisenbacher
Management Consulting GmbH, Holzgerlingen

Other memberships in supervisory boards/
controlling bodies

E-Kart Elektronik Kart Sistemleri, Izmit/Turkey

Dipl.-Ingenieur Franz Markus Haniel
Munich
Member of the executive management of Giesecke & Devrient GmbH, Munich and Head of the Products and Markets division at System Karte

Other memberships in supervisory boards/
controlling bodies

Huangshi G&D WanDa Security Card Co. Ltd.,
Huangshi/China
n.v. Giesecke & Devrient s.a., Zaventem/Belgium
Franz Haniel & Cie. GmbH. Duisburg,
Beijing Giesecke & Devrient Card Systems Co. Ltd.,
Peking/China
Giesecke & Devrient Kabushiki Kaisha, Tokyo/Japan
Giesecke & Devrient India Pvt. Ltd., Gurgaon/India
Giesecke & Devrient GB Ltd., Wembley, Middlesex/
Great Britain
G y D Iberica S.A., Barcelona/Spain
Giesecke & Devrient Brasil Limitada, Sao Paulo/Brazil
000Kompaniya Smart Karty, Zelenograd/Russia
BMW AG, Munich

Dr. rer. pol. Elmar Legge
Schermbeck
Member of the board of management of RWTÜV e.V., Essen and Member of the board of management of TÜV NORD AG, Hanover Member of the board of management of GIS-Stiftung, Mülheim a.d. Ruhr

Other memberships in supervisory boards/ controlling bodies
AHV VVAG, Essen
Cetecom GmbH, Essen
RWTÜV AG, Essen
RWTÜV Systems GmbH, Essen
TÜV NORD Mobilität GmbH & Co. KG, Hanover
TÜV Thüringen e.V., Erfurt
VAI Van Ameyde International B.V., Rijswijk / Netherlands

Dr. oec. Peter Zattler
Grünwald
Chairman (8 March to 9 June 2005),
Member of the executive management of Giesecke & Devrient GmbH, Munich

Other memberships in supervisory boards/ controlling bodies
Eastern Business Holding S.A., Luxembourg
Giesecke & Devrient International Finance S.A., Luxembourg
G y D Iberica S.A. Barcelona / Spain
n.v. Giesecke & Devrient s.a., Zaventem/Belgium

Shareholdings

secunet SwissIT AG
Switzerland, Solothurn,
100 percent ownership, company equity CHF 93,000,
net profit 2005 CHF 1,106,000

SECUNET s.r.o.
Czech Republic, Prague,
100 percent ownership, company equity CZK -5,430,000,
net profit 2005 CZK 933,000

Secunet Inc.
USA. Austin. Texas
100 percent ownership (shell company)

Auditor's Certificate

We have audited the financial statements prepared by secunet Security Networks Aktiengesellschaft, Essen, consisting of balance sheet, income statement, and notes – including the bookkeeping and the management report – for the fiscal year from 01 January to 31 December 2005. In accordance with German commercial law and the supplementary articles of association, the bookkeeping and the preparation of the financial statements and combined management report are the responsibility of the company's management. Our task is to form an opinion on the financial statements including the bookkeeping and combined management report on the basis of the audit we have conducted.

We undertook our audit as per Section 317 Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (IDW). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of net assets, financial position and results of operations in the financial statements in accordance with German accounting principles and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the bookkeeping, financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting, valuation and structuring principles used and significant estimates made by the statutory representatives as well as evaluating the overall presentation of the financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit led to no objections.

The insights gained from our audit have shown that the financial statements comply with statutory regulations and the supplementary articles of association, and in accordance with German accounting principles give an appropriate presentation of the company's actual assets, financial and earnings situation. The combined management report is consistent with the financial statements, provides a fair understanding of the company's position, and presents fairly the opportunities and risks of future development.

Essen, 17 March 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

M. Grimm	ppa. D. Fouquet
Auditor	Auditor