



secunet

9-Month Report 2006

- >> **Growth trend during the financial year continues**
- >> **Results lag behind excellent previous year**
- >> **Significant increase in demand and order volume**
- >> **Forecast for the financial year 2006:**
Turnover Euro 36 million, EBIT Euro 2 million

Key figures

		9M 2006	9M 2005	Change in %
Sales	(kEuro)	24,712	26,542	-7
EBIT	(kEuro)	816	2,886	-72
EBT	(kEuro)	976	3,019	-68
Net income for the period	(kEuro)	625	1,853	-66
Earnings per share for the period	(Euro)	0.10	0.29	-66
Cash flow from operating activities	(kEuro)	-7,600	-2,339	-/-
Investments	(kEuro)	757	671	+13
Orders on hand (as of 30 September)	(million Euro)	17.4	21.5	-19
Employees (as of 30 September)		220	206	+7

		Q3 2006	Q3 2005	Change in %
Sales	(kEuro)	9,536	10,181	-6
EBIT	(kEuro)	518	1,283	-60
EBT	(kEuro)	618	1,336	-54
Net income for the period	(kEuro)	400	832	-52
Earnings per share for the period	(Euro)	0.06	0.13	-52

		30 Sep 2006	31 Dec 2005	Change in %
Cash and cash equivalents	(kEuro)	4,539	12,846	-65
Equity	(kEuro)	17,524	16,816	+4
Equity ratio	(%)	67.9	59.9	+ 8 -Points
Loans	(kEuro)	0.00	0.00	-/-

Financial Calendar 2006/07

9 November 06

9-month results 2006

2 February 07

Preliminary annual results 2006

March 07

Press conference on annual results
DVFA analysts' conference
Annual report 2006

3 May 07

3-month results 2007

24 May 07

Annual general meeting

2 August

6-month results 2007

8 November

9-month results 2007

The secunet Share

Price performance January 2005 – October 2006 (Index, 3 Jan 2005 = 100)



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Dear shareholders, customers, employees and friends of secunet,

In the first nine months of 2006, business development at secunet Security Networks AG followed a clear upward trend. Turnover rose from Euro 6.7 million in the first quarter to Euro 8.4 million in the second quarter (+25% vis-à-vis Q1) to Euro 9.5 million in the third quarter (+13% vis-à-vis Q2). Hence, accumulated turnover for the period January to September 2006 came to Euro 24.7 million. At the same time, we generated accumulated EBIT of just under Euro 0.8 million. EBIT also rose in the course of the year (Q1: - Euro 0.1 million, Q2: + Euro 0.4 million and Q3: +Euro 0.5 million).

However, we have not yet caught up with the turnover and EBIT figures of the excellent financial year 2005. This year, demand was dominated by the fact that major public customers had to work on the basis of preliminary budgets until the end of the first half of 2006. Hence they failed to procure our services and products to the planned extent. Although demand in the public sector is reviving, it is not sufficient to close the existing turnover gap.

In the third quarter, we continued to exploit all possibilities to enhance secunet's position in the IT security consulting and IT high security market:

- >> We are very active and well positioned as regards current IT security issues that may lead to large order volumes. The respective issues include, for example, the introduction of electronic health cards, electronic passports/ID cards and the associated biometrics-related issues as well as further major governmental infrastructure projects. Due to the lengthy decision-making processes involved, it is extremely difficult to make contract and turnover forecasts for these projects.
- >> secunet serves both public agencies and customers in private industry. Both target groups have different requirements. We continuously adapt our internal processes and organisation to do justice to their diverging needs.
- >> We are pressing ahead with the internationalisation of our business. This relates to attractive markets in the European Union, the Middle East and the Far East. Highly qualified staff working out of our German headquarters provide consultancy services in the area of complex IT security at the international level. We aim to get efficient cooperation partners on board to serve markets where the demand is predominantly for products.

Rising demand in the public sector has pushed up our order volume to approx. Euro 17.4 million. This represents a 14% increase compared to the middle of the year. In the previous year, the order volume as per the end of September amounted to Euro 21.5 million. While the trend in order volume in the third quarter of 2006 is dominated by increasing demand, the associated catch-up effect cannot be fully realised due to our limited present capacities.

Demand is rising and turnover and earnings have improved significantly in the course of the year 2006. This trend, combined with the existing fourth quarter data, forms the basis of our overall 2006 forecast. We no longer expect to surpass the excellent financial year 2005. Nevertheless, we are confident that the increase throughout the financial year will continue and that the financial year 2006 will close with turnover of some Euro 36 million and EBIT of some Euro 2 million.

Dr. Rainer Baumgart



Dr. Rainer Baumgart
CEO



Interim report, third quarter 2006

Sales development

In the third quarter of the financial year, the secunet Group generated turnover of some Euro 9.5 million. Revenues increased steadily over the year (by 42% vis-à-vis the first quarter and by 13% vis-à-vis the second quarter). The turnover trend is still following the seasonal pattern of the previous years: a significant positive trend dominates throughout the year. In the first nine months of the current financial year, total sales revenue came to Euro 24.7 million.

Compared to the previous year, this development is not entirely satisfactory. Sales revenue has declined by 6% vis-à-vis the previous year's quarter (Euro 10.2 million). As per 30 September 2006, the accumulated lag behind the previous year's period came to just under 7%. This is due to the fact that, in 2006, demand in the public sector set in rather late as public agencies were forced to work on the basis of a preliminary, tightly restricted budget until the end of the second quarter. Since the budget decision at the end of the second quarter, public demand has soared; however, the company has not yet closed the turnover gap that appeared in the first six months of the year.

Development of earnings

Despite a rise in the number of staff (220 as per 30 September 2006 compared to 206 in the previous year), personnel expenses in the first nine months of 2006 declined by close to 4% compared to the previous year's period. This is due to the fact that our business results were lower than expected, leading to a decline in the variable remuneration components.

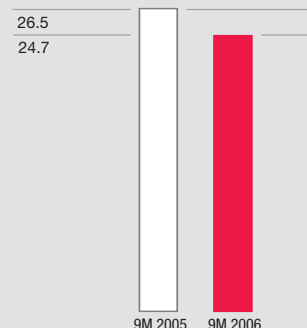
At approx. Euro 0.6 million, depreciation is close to 12% lower than the previous year's figure. The cost of material has declined by 5% compared to the previous year. As in the past, this item is predominantly affected by projects associated with hardware deliveries – essentially SINA projects.

Between January and September, other operating expenses alone increased by approx. 9% from approx. Euro 4.7 million to approx. Euro 5.2 million.

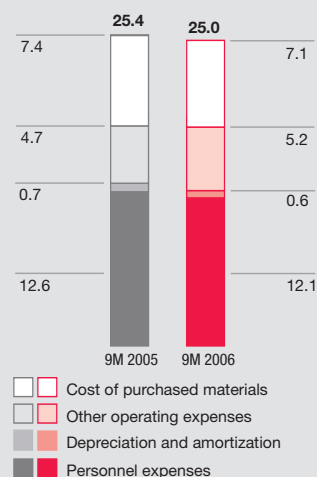
All in all, in the first nine months of the financial year 2006, costs declined by close to 2% compared to the previous year.

Despite the decline in sales revenue, secunet is still profitable. EBIT amounts to Euro 0.8 million in the current financial year compared to just under Euro 2.9 million in the period January to September 2005. Taking into account the net interest income (showing a slight 1.5% increase compared to the previous year) and the tax burden, a surplus of Euro 0.6 million (previous year Euro 1.9 million) results for the period 1 January to 30 September 2006. Hence the earnings per share come to Euro 0.10 compared to Euro 0.29 in the first nine months of 2005.

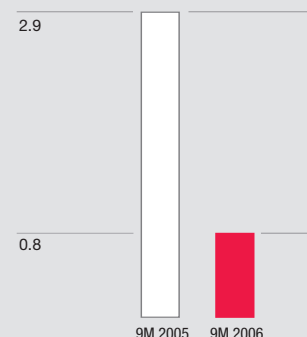
Sales in million Euro



Costs in million Euro



EBIT in million Euro



Net assets and financial position

As of 30 September 2006, the secunet Group's balance sheet was dominated by three noticeable changes compared to the end of 2005. Both liquid funds and reserves have dropped considerably while trade accounts receivables have gone up. Liquid funds declined from Euro 12.8 million as per 31 December 2005 to Euro 4.5 million as per 30 September 2006 and reserves dropped from Euro 5.8 million to Euro 2.2 million. As before, this is due to the payment of variable salary components for the successful financial year 2005: liquid assets declined in line with the retransfer of the corresponding deferred expenses. As a consequence of incoming payments associated with the high receivables figure (increase from Euro 8.0 million as per 31 December 2005 to Euro 12.2 million as per 30 September 2006), liquidity will once more go up.

The earnings situation is also affecting the cash flow from business activities. Both the payment of the variable salary components at the start of 2006 and the build-up of receivables have led to a negative cash flow for the first nine months of the year (-Euro 7.6 million). In the previous year's period, the company also recorded a negative cash flow; however, at the time, this was due to positive results, low royalty payments and a low receivables figure (-Euro 2.3 million).

Investments

In the first nine months of 2006, secunet spent some Euro 0.8 million on investments. This figure exceeds the previous year by 13%. The funds were invested in new and replacement hardware, software licenses and other equipment.

Employees

As of 30 September 2006, the secunet Group had approx. 220 employees, 14 more than at the end of the first nine months of 2005. The increase was mainly concentrated in the productive areas, such as product management and distribution as well as consulting and development, raising secunet's potential and providing the conditions necessary to introduce a sustainable expansion of business.

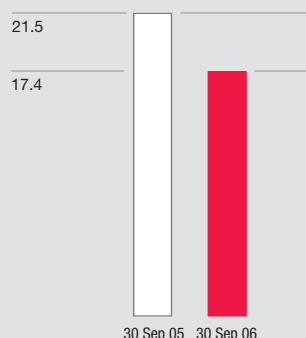
Outlook

The market for high-quality complex IT security solutions remains attractive. Public authorities, international organisations and companies consistently show significant demand for IT security and high security services and products. Secunet is excellently positioned in this growth market. At the same time, secunet is committing itself to all imminent major projects associated with IT infrastructure expansion, inter alia the introduction of electronic health cards. Important decisions regarding these major infrastructure projects, which could lead to substantial contracts, are still outstanding.

Following a slow start, which was predominantly due to reticence among public agencies, the year 2006 went through a substantial recovery starting in the middle of the year. This development is reflected by the order volume as per 30 September 2006, which rose from Euro 15.3 million as per the end of June 2006 to Euro 17.4 million as per the end of September 2006.

secunet's outlook for the overall 2006 results is based on the financial figures for the first nine months of 2006 and the existing data of the current fourth quarter. The management board of secunet Security Networks AG no longer expects the company to exceed the excellent results generated in the previous years. Based on the data available at the time of the preparation of this interim report, expected turnover will amount to some Euro 36 million and EBIT to some Euro 2 million.

Orders on hand in million Euro



Directors' dealings as per Section 15a German Securities Trading Act (WpHG)

According to Section 15a WpHG members of the supervisory board and the management board as well as comparable managers at secunet Security Networks AG are under obligation to report dealings in secunet shares or associated financial instruments once the total amount of their dealings exceeds Euro 5,000 by the end of the calendar year. The reporting obligation also applies to natural and legal entities that are closely affiliated with the aforementioned persons. The respective reports can be found on our website under Investor Relations, Directors' Dealings.

Directors' Dealings 9M-2006

Date of report	Reporting person	Type of transaction	Type of financial instrument	Number of securities traded	Value
27.02.2006	Ingo Baumgart	Sale	Shares	2,350	29,610.00
06.03.2006	Ingo Baumgart	Sale	Shares	5,000	62,500.00
24.08.2006	Thomas Pleines	Sale	Shares	5,000	40,617.54

Notes

Both the consolidation principles and the foreign exchange conversion method applied in the period 1 January to 30 September 2006 are consistent with the principles and methods applied in the 2005 consolidated financial statements. The accounting policies also remained unchanged. The first application of IFRS 2 did not affect the balance sheet presentation since all options had been issued before 7 November 2002.

The figures reported in the balance sheet, income statement, flow of funds statement and the trend in shareholders' equity reflect the regular course of business at secunet and do not include any exceptional items. Material events did not occur after the balance sheet date.

Consolidated Balance Sheet of secunet Security Networks (IFRS)

Assets in Euro	30 Sep 2006	31 Dec 2005
Current assets		
Cash and cash equivalents	4,538,560.63	12,845,872.17
Trade accounts receivable	12,228,193.05	8,015,239.43
Accounts receivable from affiliated subsidiaries	385,373.02	66,394.46
Inventories	636,493.96	168,485.19
Other current assets	984,484.42	223,349.82
Total current assets	18,773,105.08	21,319,341.07
Non-current assets		
Property, plant and equipment	1,330,776.26	1,199,728.01
Intangible assets	116,962.89	160,740.92
Goodwill	2,950,000.00	2,950,000.00
Investments	319,339.30	245,691.63
Deferred taxes	2,323,170.69	2,218,929.67
Total non-current assets	7,040,249.14	6,775,090.23
Total assets	25,813,354.22	28,094,431.30

Equity and liabilities in Euro	30 Sep 2006	31 Dec 2005
Current liabilities		
Current portion of capital lease obligations	71,697.86	99,944.94
Short-term debt and current portion of long-term debt	98.37	0.00
Trade accounts payable	2,374,887.54	1,756,378.04
Accounts payable to affiliated subsidiaries	46,695.07	0.00
Advances received	0.00	0.00
Accrued expenses	2,151,819.72	5,822,417.11
Income tax liabilities	594,033.50	607,559.00
Other current liabilities	728,257.75	1,150,733.27
Deferred items	333,267.62	425,219.29
Total current liabilities	6,300,757.43	9,862,251.65
Non-current liabilities		
Capital lease obligations, less current portion	111,182.08	97,696.99
Deferred taxes	584,355.50	129,097.30
Pension provisions	1,293,043.21	1,189,664.56
Total non-current liabilities	1,988,580.79	1,416,458.85
Equity		
Subscribed capital	6,500,000.00	6,500,000.00
Capital reserves	21,922,005.80	21,922,005.80
Treasury stock	-110,794.15	-168,771.13
Accumulated deficit	-10,801,171.66	-11,426,459.38
Accumulated other comprehensive income/loss	13,976.01	-11,054.49
Total equity	17,524,016.00	16,815,720.80
Total equity and liabilities	25,813,354.22	28,094,431.30

Consolidated Income Statement of secunet Security Networks (IFRS)

in Euro	1 Jun – 30 Sep 2006	1 Jun – 30 Sep 2005	1 Jan – 30 Sep 2006	1 Jan – 30 Sep 2005
Revenues	9,536,179.30	10,180,751.86	24,711,794.01	26,542,013.37
Other operating income	74,663.20	312,288.45	1,065,346.21	1,761,353.46
Cost of purchased materials and services	-3,127,679.57	-3,261,943.02	-7,069,675.69	-7,425,564.98
Personnel expenses	-3,817,016.68	-4,231,048.81	-12,109,585.63	-12,571,909.21
Depreciation and amortization	-173,527.03	-153,715.56	-596,026.82	-675,420.74
Other operating expenses	-1,974,272.08	-1,563,650.22	-5,185,375.61	-4,744,557.99
Operating income/loss	518,347.14	1,282,682.70	816,476.47	2,885,913.91
Interest income/expense	81,684.40	58,560.20	135,215.92	133,187.46
Foreign currency exchange gains/losses	18,156.74	-5,108.88	24,612.53	0.00
Earnings before tax	618,188.28	1,336,134.02	976,304.92	3,019,101.37
Taxes on income	-218,250.36	-504,315.54	-351,017.20	-1,166,372.93
Earnings before minority interests	399,937.92	831,818.48	625,287.72	1,852,728.44
Net income	399,937.92	831,818.48	625,287.72	1,852,728.44
Earnings per share (basic)	0.06	0.13	0.10	0.29
Earnings per share (diluted)	0.06	0.13	0.10	0.29
Average number of shares outstanding (basic)	6,451,240	6,439,691	6,443,889	6,430,826
Average number of shares outstanding (diluted)	6,500,000	6,500,000	6,500,000	6,500,000

Consolidated Statement of Changes in Equity 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 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 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
Changes in treasury stock			57,976.98			57,976.98
Foreign currency differences					25,030.50	25,030.50
Net profit 1 Jan – 30 Sep 2006				625,287.72		625,287.72
Equity as at 30 Sep 2006	6,500,000.00	21,922,005.80	-110,794.15	-10,801,171.66	13,976.01	17,524,016.00

Consolidated Cash Flow Statement of secunet Security Networks (IFRS)

in Euro	1 Jan – 30 Sep 2006	1 Jan – 30 Sep 2005
Cash flow from operating activities		
Net profit	625,287.72	1,852,728.44
Adjustments for: Depreciation and amortization	596,026.82	675,420.74
Increase/decrease in provisions and deferred taxes	-3,229,727.06	-340,969.17
Net interest income	135,215.92	133,187.46
Cash flow to taxes	0.00	0.00
Gains/losses on the disposal of fixed assets	0.00	0.00
Foreign currency exchange gains/losses	-24,612.53	0.00
Other (non-cash transactions)	57,976.98	53,250.00
Change in net working capital	-5,760,177.71	-4,712,570.21
Net cash used in/provided by operating activities	-7,600,009.86	-2,338,952.74
Cash flow from investment activities		
Acquisition of subsidiaries, less acquired cash and cash equivalents	0.00	0.00
Acquisition of property, plant and equipment	-756,944.71	-670,671.20
Income from the sale of equipment	0.00	0.00
Net cash used in investment activities	-756,944.71	-670,671.20
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	49,643.03	21,311.99
Increase/reduction in cash and cash equivalents	-8,307,311.54	-2,988,311.95
Cash and cash equivalents at beginning of period	12,845,872.17	8,782,893.53
Cash and cash equivalents at end of period	4,538,560.63	5,794,581.58

Concept and design

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