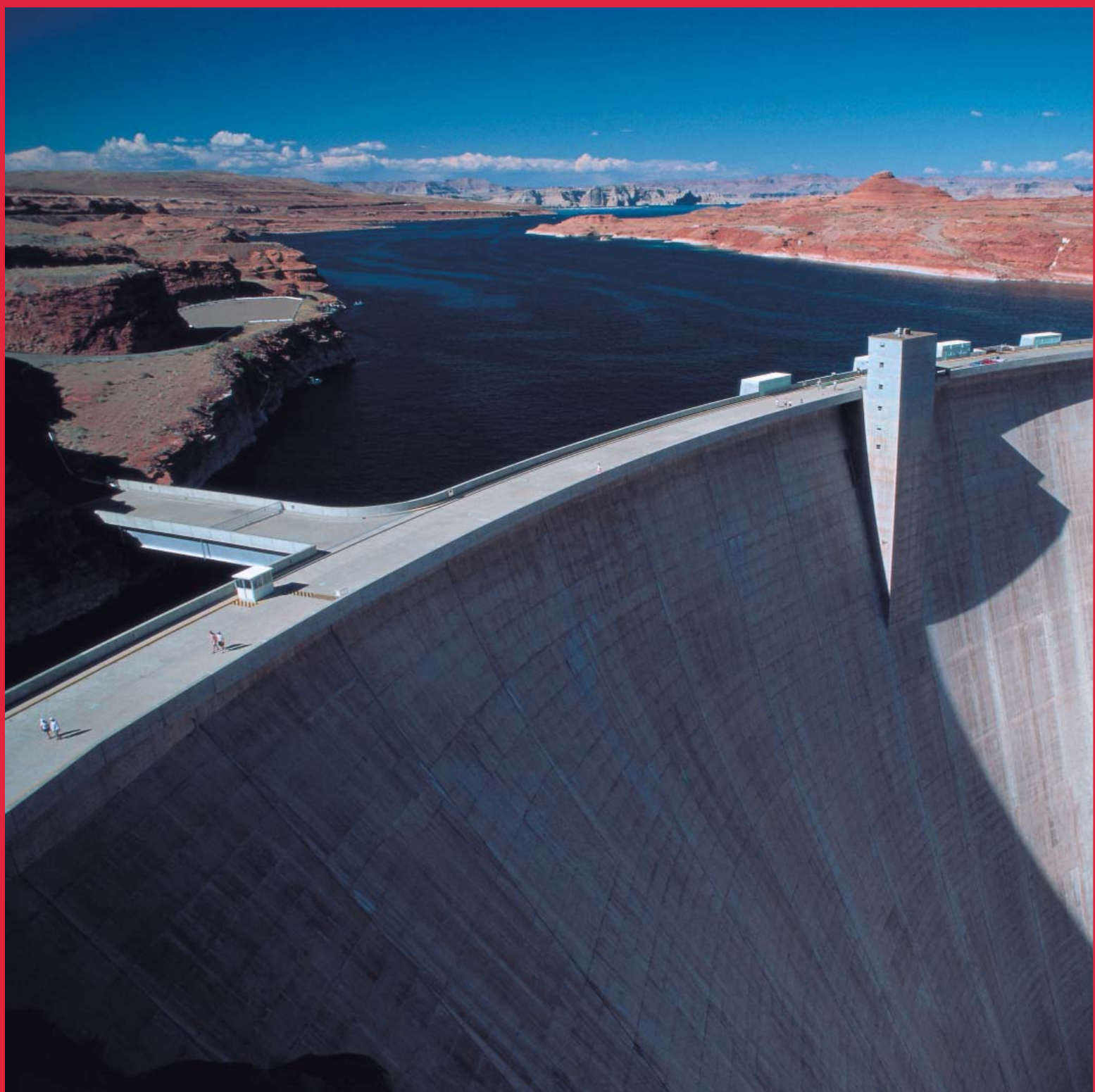


secunet

More than just security

Annual Report 2006



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We are more

secunet Security Networks AG is one of the leading specialists for IT security in Germany and Europe. We solve questions connected with IT security for companies, authorities and international organizations. This enables our customers to use the entire potential of their IT infrastructure securely and dependably.

1

We understand IT security not as an isolated system, but, rather, consider our task as an integrated section within an overall process. In this connection, we look beyond the limits of the actual question and deal with topics such as work flow, efficiency and process optimization. Pragmatic approaches to solutions, as individual as necessary, using as many standard technologies as possible, determine our working method.

Our special strength is in the field of high security. This is the reason why government agencies belong to the most important customers of secunet in Germany. We protect IP communication within and between authorities at the highest level. We also offer this extensive experience to other major organizations, both nationally and internationally.

We are utilizing our good competitive position for further growth. To this end, we want both to increase our market share in the German core market and to serve in increasing measure international markets.

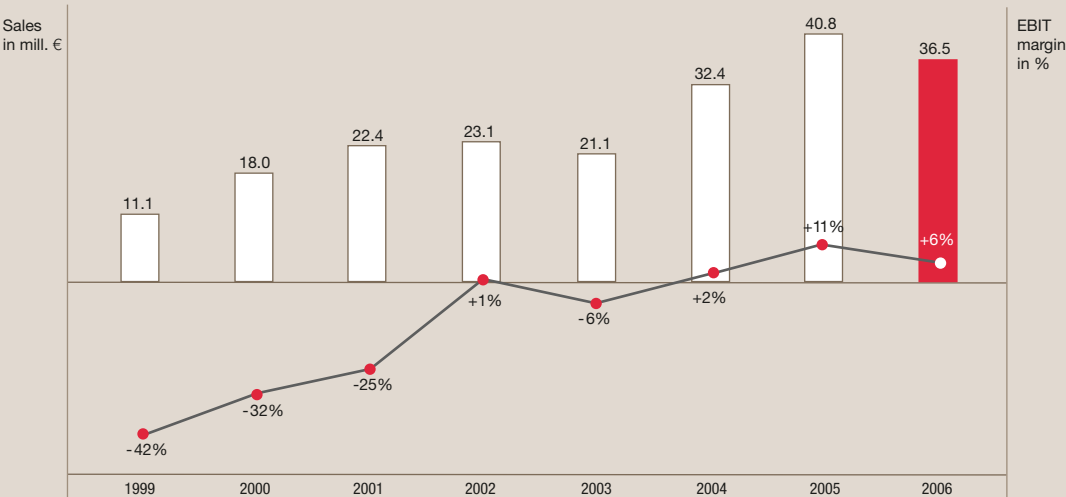
We are more than just security.

Key figures

Cover:
Glen Canyon Dam, Arizona, USA

in mill. Euro	2006	2005	Change in %
Sales	36.5	40.8	-11
EBIT	2.2	4.5	-51
EBITDA	3.0	5.4	-44
EBT	2.4	4.6	-48
Net income	2.2	4.3	-49
Earnings per share	0.34	0.66	-49
Total assets	28.3	28.1	+1
Equity	19.0	16.8	+13
Cash and cash equivalents	8.4	12.8	-34
Liabilities	9.3	11.3	-18
Loans	0.0	0.0	–
Cash flow from operations	-3.1	5.2	-160
Investments	1.3	1.1	+18
Free cash flow	-4.4	4.1	-207
Orders	14.5	14.2	+2
Employees as of 31 Dec	228	216	+6
Personnel expenses	16.6	17.6	-3

Long-term development – sales and EBIT margin

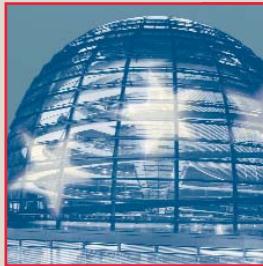


Organization

Key figures
Organization

Public sector

Government



The sensitive nature of the personal data of citizens makes safe and reliable communication structures necessary. E-Government offers immense efficiency potential. Our challenge is security in the handling of sensitive data.

High security



Confidential data of different levels of secrecy may not be allowed to fall into the wrong hands, but nevertheless needs to be made available at a variety of points. A joint development with the BSI – the Federal Office for Information Security –, our high security architecture SINA protects digital networks against attacks and failures.

Business security



Globalization makes new demands on digital capital. Strategies, contracts, research results and customer data are only some examples of data which must be protected. Our flexible solutions for the protection of your data correspond precisely to your requirements.

Private sector

Automotive



Modern vehicles include complex software functions. We offer extensive expert knowledge for the protection of the same. In co-operation with manufacturers and suppliers, we develop innovative automotive security strategies.

Foreword of the chairman of the Executive Board

Dear shareholders, customers, employees and friends of secunet,

Unfortunately we did not reach our objectives for the year 2006. Even so, there are a number of factors which indicate that we can continue to look optimistically into the future.

We did not reach our objectives in 2006

We are dissatisfied with the overall result of the fiscal year just ended. The group sales, at 36.5 mill. Euro, lay 11% below the level of the previous year. This does not correspond to the expectations for growth which we had formulated at the end of 2005.

We have already explained the main reason for the fall in sales within the framework of our interim report 2006. Since, following the parliamentary elections and the change of government at the end of 2005, the German budget for 2006 initially only applied provisionally, it was not possible for the authorities to go ahead with the planned procurements until the final resolution adopting the budget had been passed. The German budget for 2006 was only passed in June 2006. Accordingly, secunet suffered lost sales for almost half a year in the area of procurements by public bodies.

This back-log could not easily be made good:

The losses in sales from consultancy services which had been planned for the first half year could not be compensated in the second half year, given the capacities available. In other words: A consultation day cannot be sold twice.

In addition to this, no major projects with extensive hardware and software deliveries, which could have balanced out this effect, were ordered.

Last but not least, the restraint of public customers in the first half year also has an influence on the second half year: Corresponding orders were only placed late, and could accordingly no longer be completed and invoiced in the year 2006.

However, we do not evaluate 2006 in only negative terms

We increased sales continuously in the course of the year: From quarter to quarter, the group sales grew at double figure growth rates. This shows that although our market can react in an extremely volatile manner on account of the project business, it is at the same time possible to generate very consistent volumes of sales. This also makes us optimistic for the future.

Furthermore, after the weak start, we were also able to conclude the fiscal year 2006 profitably. With our cost structures, we can react flexibly to fluctuations in the result. Our salary system, with its performance-related variable components, makes an important contribution in this respect. In this way, we are at least able to cushion the negative effects of regressive sales in the operating results.

The high level of orders as at the end of the year makes it clear that we were very active in sales and marketing in 2006. Moreover, with our intensive input we have created a firm basis for participation in major projects. At the time of the preparation of this report, the first orders are arriving as a result of this investment in the future.



left to right: Thomas Koelzer, Dr Rainer Baumgart, Thomas Pleines

We pursue a long-term growth strategy on the basis of a strong foundation

Our positive assessment of the future development is a result of a business strategy oriented to the long-term. This is based on the following pillars:

Leadership in technology and know-how in topics of the future

- Together with our customers in the German authorities, we develop secure operating systems and cryptographic security systems for the future. Through this intensive co-operation we bring life to our security partnership with the Federal Republic of Germany.
- In biometrics, we are market leaders as consultants and system integrators for biometric identification systems. Closely associated with this is the field of electronic identity documents. For the electronic passport, our technicians have developed security standards, and have also elaborated examination procedures and implemented the same within the framework of comprehensive tests.
- In the committees for the introduction of the electronic health card in Germany, secunet is intensively involved in the definition of interfaces and specifications. On the basis of the service-tested SINA technology, secunet also provides a network connector. This can be used for the secure accessibility of e.g. medical practices and pharmacies to the German health network.

- In industry, also, our IT security know-how is in demand. Leading car manufacturers and suppliers in this branch rely on high-technological solutions in order to make modern cars even safer and more comfortable. For the control of these systems (including for user administration, identification and authentication) increasingly more complex security systems are necessary. Up to now restricted to higher range vehicles, these demands will spread further in the future. The business division "Automotive" at secunet possesses long-standing expertise from diverse projects in this field, and co-operates actively in companies and committees in the development of these technologies.

Specialization also in classical questions

- Companies and international organizations which operate globally use very extensive and complex architectures for their communication. Both our know-how and also the high security architecture SINA can be applied in this area in different configurations.
- Company processes are becoming increasingly automated, particularly in the administration. Electronic signatures are then in demand in order to meet the necessary obligations of proof. With our own mass signature solution secunet multisign we meet this need.
- IT security can only be automated in part. The care of the security systems demands a high degree of up to date and profound know-how of the employees responsible for them. Many companies, particularly the medium-sized enterprises, shrink from the necessary costs for this. Accordingly, with time, even state-of-the-art systems become insecure. With our offer of managed security services, companies can buy IT security services flexibly and according to their requirements. The trend towards the outsourcing of security services continues; we are well prepared for this.

Customer and requirement oriented organization – growth in the industry

At the beginning of 2007, we gave ourselves a new organizational structure. In place of the previous regional division into branches, we have focused our activities on customer groups and special fields.

We have concentrated the business with our main customers, up until now the governmental users, in the division "Public Sector". In the business unit "High Security", which falls under this sector, the demands of IT high security are addressed, including in particular the further development of our high security architecture SINA. The staff from the business unit "Government" advise customers from the public sector, both in Germany and abroad (including also international organizations), in all questions of IT and process security.

We wish to be an even better partner for our customers in industry. For this reason, we have combined these activities in the division "Private Sector". Organizationally, we have bundled our previous professional specialization in the support of car manufacturers and suppliers in the business unit "Automotive". All other activities relating to IT security for customers from the private economy now fall under the new business unit

“Business Security”. Through the increased focus on the private economy and the increase of the marketing capacities in this field, also through strategic co-operations with other firms in our branch, we want to expand the customer basis at home and also the sales potential.

As with every change, the transition to the new organizational structure tied up capacities at the beginning. However, the new company organization promises more strongly differentiated and focused access to our customers, and an optimized response to their requirements. On a medium to long-term basis, we expect significant growth impulses to result from this.

Expansion of activities abroad

We want to grow in the field of export. Already in 2006, we were able to generate significant increases in our activities abroad. Meanwhile, we market SINA and special consultancy services in a dozen European states, and earn more than 2 mill. Euro thereby. The tendency is rising. Successes in biometric projects in other European countries and in large infrastructure projects (equipment of the European network sTESTA with SINA components) point in the desired direction.

Through the integration into the multi-national group Giesecke & Devrient good chances also arise to enable us to tap new target groups and markets.

With this broadly diversified, clearly oriented strategy, secunet is well positioned for the coming challenges. Accordingly, there are many factors which justify our looking optimistically into the future.

We express special thanks to our employees. They are decisive for our success, and contribute with their personal commitment and high demands of themselves to our positive future development. We also want in future to offer them secure places of work with challenging and enriching content.

We thank our shareholders for their loyalty. In their interest, we shall continue to focus on growth and appreciation in value. We shall also continue to pursue our medium-term objective of paying out a dividend.


Dr Rainer Baumgart

Report of the Supervisory Board

Dear Shareholders,

The supervisory board of secunet Security Networks AG, in the fiscal year 2006, carried out the tasks entrusted to it by law and its own Statutes. It supervised the management of the executive board and advised it in the running of the company. The executive board informed the supervisory board regularly and comprehensively in written and oral reports on a timely basis of all the main aspects of the business developments, of individual major business occurrences, and also of the current earnings situation, including the risk situation and risk management.

The supervisory board passed the necessary resolutions in its meetings on the basis of comprehensive information. The supervisory board was also informed on a timely basis in between meetings about projects and events of particular importance or urgency. In so far as necessary, decisions in such cases were taken by a circulation procedure. All processes subject to consent were submitted to the supervisory board and, in most cases, approved by it. In addition, the chairman of the supervisory board was in regular contact with the chairman of the executive board in between meetings to discuss in detail events of particular importance for the company's situation and development.

In the fiscal year just ended, four ordinary meetings of the supervisory board took place, on 31 March, on 31 May, on 14 September and on 13 December 2006. In its meetings, the supervisory board focused on the topics financial statements and preparation of the general meeting (31 March 2006), general meeting (31 May 2006), restructuring of the organization of secunet (14 September 2006) as well as business planning and corporate governance (13 December 2006). At the meetings of 31 March and 13 December 2006, all members of the supervisory board were present; at the two other meetings, one member was missing in each case. No extraordinary meetings of the supervisory board took place.

The personnel matters of the executive board were discussed by the three-member Chairman's Committee at its meetings of 31 March and 31 May 2006. The members of the Chairman's Committee are the chairman of the supervisory board, Dr Karsten Ottenberg, the deputy chairman of the supervisory board, Dr Wilhelm Wick, and the supervisory board member Dr Peter Zattler. All members participated in both meetings of the Chairman's Committee.



Dr Karsten Ottenberg

Economic development

In all its meetings, the economic development of secunet stood at the forefront of the discussions of the supervisory board. These included discussion, on the one hand, of the business development over the coming year.

On the other hand, the supervisory board addressed strategic issues relating to the medium – to long-term development of the company. The clear objective in this respect is for the company to expand on a long-term basis its good competitive position and the good results resulting from the same. In this connection, the supervisory board and executive board exchanged views in depth on the major infrastructure projects concerning the electronic health card, the modernization of the information systems in the German Federal Armed Forces and the introduction of electronic identity documents. In addition to these market-orientated aspects, internal questions were also discussed. Accordingly, the supervisory board advised the executive board in restructuring the organization of secunet. The discussions focused in each case on the SINA Secure Inter-Network Architecture and its further development.

Corporate governance

The supervisory board attaches great importance to the German Corporate Governance Code and its implementation. Against this background, secunet largely fulfills the recommendations of the German Corporate Governance Code. The declaration of conformity for 2006 was accordingly adopted by the supervisory and executive boards on 13 December 2006. The declaration of conformity is contained in the Corporate Governance Report 2006, which is a part of the annual report 2006. This year, the supervisory board also analyzed the efficiency of its work within the framework of a self-evaluation.

Financial statements 2006

The financial statements (HGB) and the consolidated financial statements (IFRS) submitted by the executive board for the fiscal year 2006, and also the combined management report of the group and company, including the book-keeping, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, branch office Essen, and received an unqualified audit opinion. The report concerning the relationships with affiliated companies as well as the explanatory report of the executive board containing the statements required under Sect. 289, para. 4, and Sect. 315, para. 4, HGB were likewise audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, branch office Essen, and received an unqualified audit opinion.

A statement of independence from the auditor within the meaning of Point 7.2.1 of the German Corporate Governance Code has been provided to the supervisory board. The statement confirms that no professional, financial or other relationships exist between the auditor, its organs and head auditors on the one hand, and the organs of secunet on the other hand which could give rise to doubts as to its independence.

All documents pertaining to the financial statements, the report concerning the relationships with affiliated companies, the explanatory report of the executive board containing the statements required under Sect. 289, para. 4, and Sect. 315, para. 4, HGB, as well as the audit reports of the auditor have been available to all members of the supervisory board. They were reviewed by the supervisory board and discussed at its meeting on 28 March 2007 in the presence of the auditors and the executive board. On the basis of its own review of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report, the supervisory board agreed with the findings of the auditors, and raised no objections. The financial statements and the consolidated financial statements were approved at the meeting on 28 March 2007. The financial statements have thus been adopted.

Relationships with affiliated companies

In its meeting on 28 March 2007, the supervisory board also discussed and reviewed the report prepared by the executive board and audited by the auditor concerning the relationships with affiliated companies. The audit opinion appended to the report concerning the relationships with affiliated companies reads as follows: "Following our audit and assessment carried out in compliance with our professional obligations, we confirm that the facts of the reports are correct, and that the counter-performance of the company for the legal transactions included in the reports was not unreasonably high."

Neither the auditor's report nor the audit opinion give rise to any reservations. In accordance with the result of its own subsequent review, the supervisory board raises no objections to the statement of the executive board at the end of the report concerning the relationships with affiliated companies.

Report pursuant to Sect. 289, para. 4, and Sect. 315, para. 4, HGB

The executive board has, in the combined management report of the group and the company, made statements in accordance with Sect. 289, para. 4, and Sect. 315, para. 4, HGB and, in addition, issued its explanatory report thereto. The supervisory board reviewed these statements and explanations in its meeting on 28 March 2007. According to the result of this review, the details provided in accordance with Sect. 289, para. 4, and Sect. 315, para. 4, HGB as well as the explanations of the executive board are correct. The supervisory board adopts the explanations of the executive board; in particular, the facts and arrangements set out do not serve the purpose of impeding possible take-over attempts.

Personnel changes

Due to a career change, Mr. Peter Eisenbacher retired from his office as a member of the supervisory board as at the end of the annual general meeting of secunet Security Networks AG on 31 May 2006. Mr. Eisenbacher had been a member of the supervisory board of secunet since 15 June 2004. The supervisory board expressly thanks Mr. Eisenbacher for his work and wide-ranging support.

On 31 May 2006, the annual general meeting of secunet Security Networks AG elected Mr. Hans-Wolfgang Kunz, member of the executive management of Giesecke & Devrient GmbH, as the new member of the supervisory board.

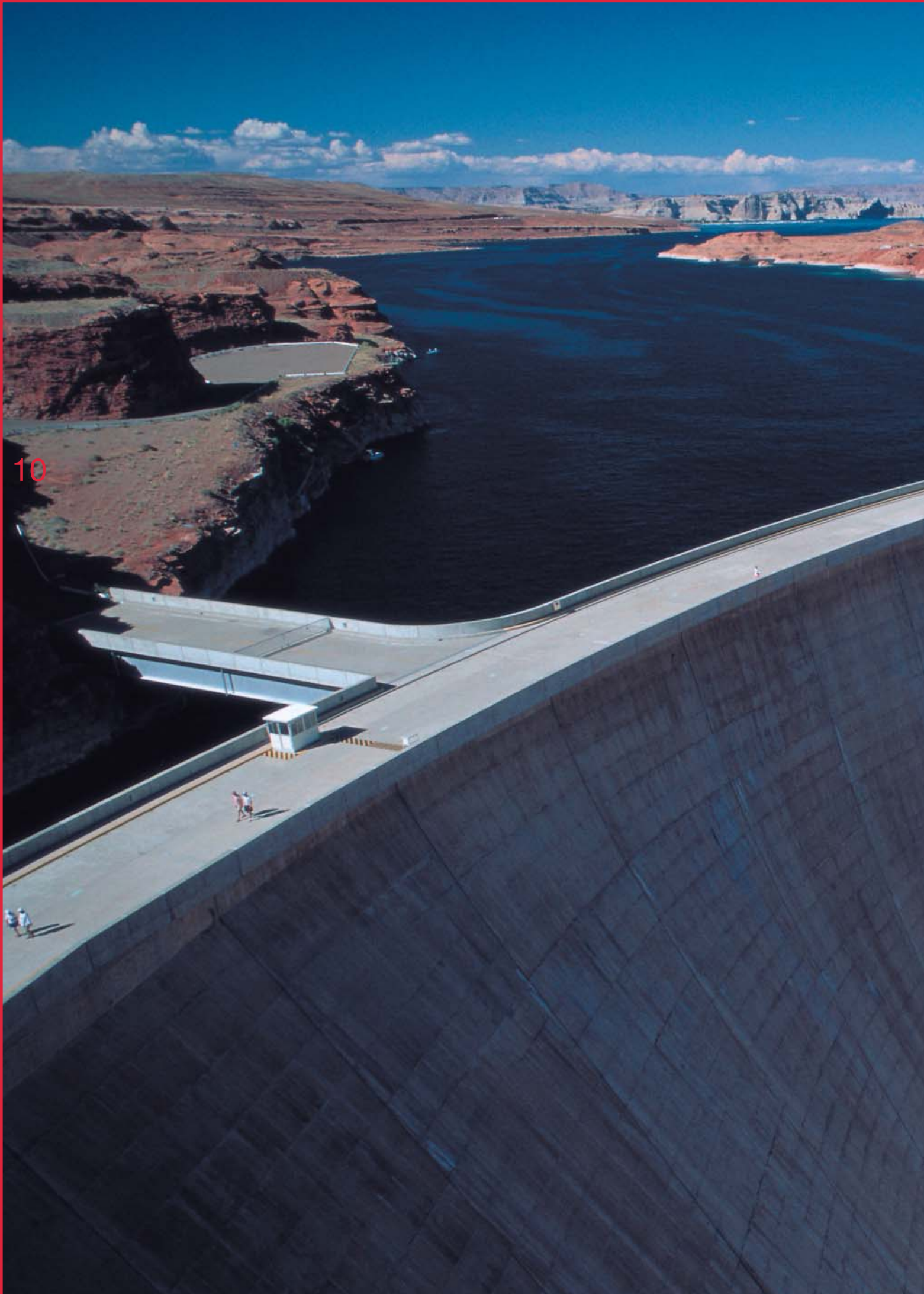
As at 30 June 2006, Dr Steffen Frischat left the executive board of secunet Security Networks AG in order to assume a new task in the Giesecke & Devrient group. Dr Frischat had been a member of the executive board since the merger of secunet and Secartis AG in the year 2004 and was responsible there for the division sales and marketing for consultancy services. The supervisory board thanks Dr Frischat for his commitment and his achievements in connection with the integration of Secartis AG into secunet Security Networks AG.

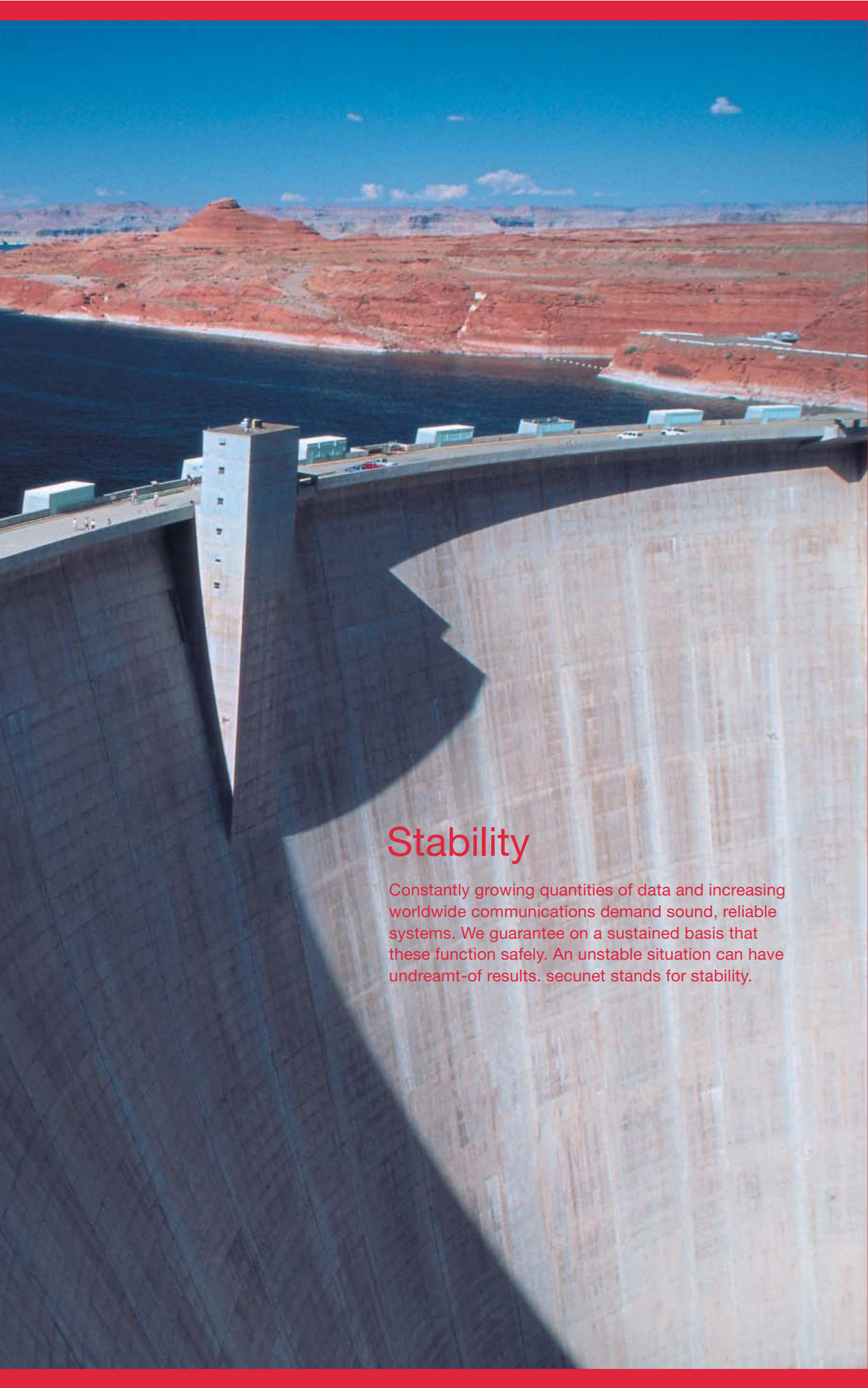
The supervisory board thanks all secunet Security Networks AG employees and also the members of the executive board for their successful work.

Essen, dated 28 March 2007

Supervisory Board


Dr Karsten Ottenberg





Stability

Constantly growing quantities of data and increasing worldwide communications demand sound, reliable systems. We guarantee on a sustained basis that these function safely. An unstable situation can have undreamt-of results. secunet stands for stability.

Interview with the members of the executive board of secunet Security Networks AG

What is your appraisal of the fiscal year just ended?

Baumgart: The fiscal year 2006 can be summarized in four sentences:

- We are not satisfied with the result
- Nevertheless, 2006 certainly shows positive aspects
- We have used the year to position secunet well in many fields
- Accordingly, we look optimistically into the future

What are the reasons for the fall in sales and result? Can this situation repeat itself?

Pleines: At the beginning of 2006, as a result of the formation of the new government, the German federal budget had still not been finally resolved. This process dragged on for a long time: During this period, our main customers, the German authorities, acted very reservedly with regard to their procurements. This situation arose from a special political constellation which is unlikely to recur in the near future.

How do you intend to protect secunet in the future from fluctuations in demand?

Baumgart: In order in the future to be able to cope better with fluctuations in demand, we will position ourselves more broadly and on a more stable basis. We want, amongst other things, to expand our activities in the private economy. In order to speed up and intensify this process, we have re-arranged our internal organization into target groups. Whilst the company sphere "Public Sector" covers the requirements of the authorities and international organizations, the company sphere "Private Sector" has as its task the protection of information and communications technology in the private economy. Within the two company spheres, there are further specializations into different business divisions, for example in the "Public Sector" the business division High Security, in which our flagship, the **Secure Inter-Network Architecture SINA**, is established, and in the "Private Sector" the business division Automotive Security, which covers the specific requirements for IT security in cars.

What do we understand by Automotive Security?

Koelzer: Modern cars are increasingly furnished with technologies which are controlled by IT systems in the car. Here, IT security means ensuring that no unauthorized modifications or wrong behavior can impair these systems. In this way, IT security contributes to a high degree to vehicle and driver safety. In addition, there are models in which specific vehicle functions are released via the vehicle IT, for example navigation systems or auxiliary heating. Also here, we protect these processes.



Dr Rainer Baumgart



Thomas Pleines

What is the intended distribution of roles between Private and Public Sector for 2007?

Baumgart: Traditionally, we gain a high share of our sales from public clients. On a long-term basis, Public and Private Sector ought to contribute equally to sales. However, due to the technology drivers from eGovernment, we presume that there will continue to be a slight overweighting in favor of the Public Sector.

What are the driving forces in the market for IT security?

Baumgart: The exchange of data and information rises disproportionately between authorities and external locations, and also between companies and their branches and/or their mobile field work employees. Today, the driving force in the IT industry is the guarantee of the confidentiality and availability of the data.

The market for IT security is influenced strongly by technological progress and vice versa. The introduction of new systems or of process automation depends increasingly upon how secure these systems are. Decisive in this respect is reliable identification and authentication technology, without which consumer acceptance of new business processes cannot be guaranteed. Today, technological progress cannot be realized without (IT) security.

In addition to this, there is the demand for IT security for governmental infrastructures. Secrecy plays an important role here. This demand for high-quality encryption technologies is of extreme importance for the crypto industry to which secunet belongs.

What significance do companies attribute to IT security?

Baumgart: For companies, IT security means, in the first place, initially an advance performance. The financial investment associated therewith is not directly reflected in sales or profit. This explains why companies are often hesitant in relation to investments in their IT security.

Koelzer: On the other hand, IT security is also a pre-requisite for certain business processes which would be unrealizable without it. This concerns online applications such as, for example, electronic banking, the security of administrative processes, such as for example electronic invoicing, and also the basic functions of the products themselves, such as, for example, in the automotive sector.

IT security furthermore belongs nowadays to the basic equipment of businesses which wish to meet the requirements of fundamental protection and compliance.

Which importance does the close association to BSI have, also outside the public sector business?

Baumgart: For many years, we have been working intensively together with the Federal Office for Information Security in the area of information technology. This co-operation has not least been consolidated through the development and further development of the **Secure Inter-Network Architecture SINA**. Also in the fields of biometrics and of identification and authentication through new identity documents, we have together proved to be successful. Formally, this co-operation is underpinned through our security partnership with the Federal Republic of Germany.

The co-operation with BSI has the result that secunet is also regarded as a competent, trustworthy, stable and long-term partner outside the public sector business.

Do you have new markets in sight?

Baumgart: We aim both domestically and abroad at new groups of customers.

Domestically, for example, at the health sector. With the network connector on the basis of the proven SINA technology we can equip the systems of health telematics for the planned electronic health card with security functions. Through the continuous further development of SINA and the extension of the product family SINA with new components, we can expand our product portfolio and cover new application scenarios with existing customers.

Abroad, we are registering a generally rising demand for security components from the SINA product family. SINA is meanwhile successfully in use in 13 countries.

In addition, the market for biometric identification systems will, in our view, also develop very positively. This is evidenced by the very great interest of integrators and manufacturers of sensors and scanners, both inland and abroad, in our biometric middleware secunet biomiddle. We are therefore very optimistic that this market will grow rapidly in the near future and we too with it.

The international recognition of our activities will support our export efforts on a sustained basis.

Well trained, creative and motivated employees are the most valuable capital of any company. How would you describe your personnel policy?

Pleines: Our employees are very well trained and have a comprehensive, profound know-how gained from many projects. Many secunet employees are also highly recognized as specialists beyond the circle of our customers.

Regular further education and training courses are held. Our management style is characterized by respect and co-operation. secunet demands much from its employees and encourages them so that they are able to provide maximum performance in their special fields. We are proud that all these aspects are evidently taking positive effect: secunet has a very low fluctuation rate; our employees remain committed to secunet for many years.

Which trends do you see in the market for IT security in 2007?

Baumgart: For the development of the market and technology, the trend towards ever further reaching mobility is important. Whilst IT systems thereby become considerably more flexible, they also become more vulnerable. At the same time, the combined use of different means of communication - notebooks and cell phones, for example, grow together - creates increasingly larger potential for weak points. Authorities and companies can protect themselves through specific measures. We develop technologies which help them in this respect. The German Foreign Affairs Department, for example, avails itself of the SINA technology of secunet to safeguard its communications.

For secunet, the protection of large IT infrastructures is a further important point. These include in Germany the introduction of the electronic health card as well as electronic passports and identity cards, the expansion of the IT systems of German Federal Armed Forces, the modernization of the communication infrastructures for police and catastrophe prevention services. In Europe, we accompany the implementation of comprehensive international communications networks with our security know-how.

An important aspect of IT security remains the creation of awareness of each user. IT security begins in a small way at each individual place of work. Accordingly, security concepts and guidelines are and remain an important part of IT security, notwithstanding all technical systems.

What development do you expect for the current year?

Baumgart: secunet advises and delivers products for all current questions in the field of IT security. Our know-how is in demand; we are a dependable partner for companies, authorities and international organizations. We are recognized as solution providers for complex questions, and, as has been proved, we can react at short notice to new technological developments.

Overall, this results in an outstanding market position for secunet. We will use this in order to return once more to the strong path of growth of the previous years. We will thereby remain one of the leading European providers of IT security.

Our orders books are very full. In addition, orders for some major projects which we expect to receive have not yet been placed.

Accordingly, we look very optimistically into the future.



Thomas Koelzer



16 Confidence

Satisfied customers form the basis for successful and dynamic growth. It is our task to protect confidential data and information. With self-assurance, we have convinced many organizations and enterprises of our solutions. secunet stands for confidence.



The secunet Share

Sustained positive stock market environment

2006 was a very gratifying year on the German share market and on the international stock exchanges. After an upward phase in the first months of the year, a sharp correction occurred initially in May 2006, since many economists predicted a downswing in economic activity for the second half of the year. The following insecurity caused many investors to realize profits. However, the economy showed itself to be surprisingly robust, and at the same time the situation eased in the oil markets, through which the prospects for profits improved for companies. The investors gathered new confidence from this, especially as shares were judged to be more attractive compared with other categories of investment and continued to be favorably evaluated. This was then followed by a phase of generally rising share prices until the end of 2006.

A further good year in the capital market is expected for 2007. Investment strategists are convinced that the share markets in 2007 will continue to offer very good investment chances. The basis for this optimism lies, amongst other factors, in the robust state of the economic activity as well as the sustained attractive assessment of shares.

Whilst in 2006 the focus of the investors tended to be on index-quoted values, attention is now once more directed towards values below the indices. Current evaluations favor investment in Small Caps, whereby an overweighting of telecommunication and technology shares is recommended. At the same time, warnings are also issued in relation to the risks which can arise through lack of liquidity.

Development of the secunet share

Fuelled by the good business results in 2005, the secunet share developed positively on the stock exchange as from the beginning of 2005. It closed the year 2005, which was financially very good, with a price of 10.85 Euro and started into the new year on 2 January 2006 with a closing price of 12.35 Euro. Due to the good capital market situation and the expectation of further increases in the result, the share price remained at a high level throughout the first quarter, and achieved the highest closing price of the year on 27 February 2006 at 14.10 Euro.

However, as from the end of the first quarter 2006, the price declined steadily. Two causes should be mentioned for this: A general weakness of the market for second-line securities, and the unsatisfactory business results of secunet. After the first quarter had ended disappointingly for secunet, the capital market responded with first losses. On top of this came the effect of the overall correction in May 2006, which caused the price to sink further. The continued restrained economic development of secunet prevented the share from benefiting from the otherwise positive trend prevailing. The lowest closing price of the year was quoted on 17 October 2006 at 6.17 Euro. Thereafter, the positive price trend developed only timidly. The share closed the year 2006 at a price of 8.60 Euro. The market capitalization thus sank in the course of the year by 30.4%, from 80.3 mill. Euro to 55.9 mill. Euro.

This negative trend for the year should be seen against the long-term positive price development of the secunet share: In the two year period from January 2005 to December 2006, the share in fact gained by 75.9% (annual average 32.6%); in the three year period from January 2004 to December 2006, by 145.7% (annual average 34.9%).

The increased interest of investors in Small and Mid Caps should have a positive effect on the future price development. Furthermore, the quotation of secunet in the GEX (German Entrepreneurial Index) is advantageous, since the attention of institutional investors and analysts to the value is thereby increased, and an expansion of the shareholder structure becomes possible.

Shareholder structure: Free float increased

Giesecke & Devrient GmbH, Munich, remains the majority shareholder of secunet Security Networks AG with, as before, 50% plus one share. At the beginning of 2006, the major shareholder RWTÜV AG sold parts of its holding on the capital market. Thereby, its share sank from just below 30 % to approximately 26.4% of the share capital. The free float thereby increased, rising from approximately 20% to 23.6%. secunet itself held 31,938 own shares as at 31 December 2006 for the purpose of serving the share option program.

Volume of trade constant; volatility high

In 2006, an average of about 8,500 shares in secunet Security Networks AG was traded daily on the Frankfurt Stock Exchange (XETRA and floor). The previous year's average was around 8,600 shares. Thus, the share's liquidity on the stock exchange remains relatively low. The reason for this is that the free float of secunet shares, at around 24%, remains low. Accordingly, short-term changes in the supply of or demand for secunet shares lead to relatively large price fluctuations.

Well attended annual general meeting

At the annual general meeting of secunet Security Networks AG on 31 May 2006 at the Zeche Zollverein, a world cultural heritage site in Essen, 81.2% of the share capital was represented. All the points on the agenda amounted were approved by more than 99% of the votes cast.

Addressing investors via many channels

secunet Security Networks AG is dedicated to treating all shareholders equally. Transparency and the provision of shareholders and the general public with the same information on a timely and comprehensive basis have a high priority at secunet. Accordingly, investor relations play a major role at secunet.

Regular and open reporting ensures that our shareholders are fully informed about secunet and its business developments. In 2006, the executive board of secunet Security Networks AG presented the company at two specialist conferences, the CeBIT Small & Mid Cap Day in March and also the Deutsche Börse Equity Forum in November 2006. In addition, numerous individual discussions took place with interested investors and analysts, to whom the executive board explained the business model and the business results of secunet.

All information released by secunet is promptly made available on the company's website (www.secunet.com). Persons interested can also find financial reports and presentations there, as well as the current financial calendar. For specific inquiries, shareholders and interested persons can also contact the staff of the Investor Relations Unit (Tel. +49 2 01 54 54-30 0 or by e-mail at investor.relations@secunet.com).

Key secunet share data

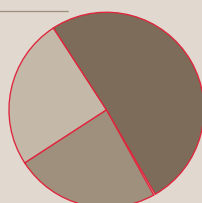
Stock symbol (Reuters)	YSNG.DE
Stock symbol (Bloomberg)	YSN
ISIN	DE0007276503
Class of shares	no-par-value bearer stock
Subscribed capital	6,500,000 Euro
Number of shares	6,500,000

Shareholder structure in %

Giesecke & Devrient 50% + one share

RWTÜV AG 26.4%

Free float 23.6 %
(thereof treasury shares 0.5%)



Development 2006	secunet	DAX	TecDAX	Prime Tech	GEX
Price at the beginning of the year (2 Jan 2006)	12.35 Euro	5,449.98	600.83	264.26	1,481.52
Market capitalization at beginning of the year	80,275,000.00 Euro				
Price at the end of the year (29 Dec 2006)	8.60 Euro	6,596.92	748.32	348.00	1,872.42
Market capitalization at the end of the year	55,900,000.00 Euro				
Share price increase	-30.4%	+21.0%	+24.5%	+41.3%	+26.4%
Average number of shares traded (XETRA- and floor trading Frankfurt)	8,491 shares				
Lowest closing price (17 Oct 2006)	6.17 Euro				
Highest closing price (27 Feb 2006)	14.10 Euro				

XETRA trading

Development 2005	secunet
Price at beginning of the year (3 Jan 2005)	4.89 Euro
Market capitalization at beginning of the year	31,785,000.00 Euro
Price at the end of the year (30 Dec 2005)	10.85 Euro
Market capitalization at end of the year	70,525,000.00 Euro
Share price increase	121.88%
Average number of shares traded (XETRA- and floor trading Frankfurt)	8,576 shares

XETRA trading

Price changes 2 Jan 2006 – 2 Feb 2007



Corporate Governance

secunet attaches great importance to effective and transparent corporate governance. Accordingly, the implementation of the German Corporate Governance Code at secunet Security Networks AG is reviewed and, if necessary, adapted annually by the executive board and the supervisory board on the basis of new statutory requirements and any revisions made to the Code by the Government Commission.

The executive board and supervisory board of secunet Security Networks AG have closely studied the requirements for fulfillment of the specifications of the Code, in particular the new requirements of 12 June 2006. On the basis of these deliberations, the declaration of compliance with the Code set out further below was adopted. It has been published on our Internet page and is updated in the case of any changes.

The executive board and supervisory board submit the following report in accordance with para. 3.10 of the German Corporate Governance Code:

Management and control structure

secunet Security Networks AG, as a German stock corporation, is subject to the German law governing stock corporations, and thus has a dual management and control structure comprising a 3-person executive board and a 6-person supervisory board.

Supervisory board

The supervisory board supervises and advises the executive board in the management of the business. At regular intervals, the supervisory board discusses the business development and planning as well as the strategy and its implementation. It discusses the quarterly reports, and approves the financial statements of secunet Security Networks AG and the group having regard to the audit reports of the auditor and its own audit. Its sphere of tasks further includes the appointment of the members of the executive board. Major executive board decisions - for example important acquisitions, de-investments and financial measures - require its approval.

The "Chairman's Committee" consists of the chairman of the supervisory board, the deputy chairman of the supervisory board and a further member of the supervisory board. The task of the Chairman's Committee is the regulation of personnel matters relating to the executive board. In particular, the Chairman's Committee makes proposals for the appointment of executive board members, and lays down the principles for the terms of appointment, as well as the structure and the amount of remuneration of the executive board members.

No further committees of the supervisory board exist.

Executive board

The executive board, as a management organ of the group, is committed to the corporate interests and has as its objective in this respect a sustained increase in the corporate value. It lays down the principles of the corporate policy. It is, in addition, responsible for the strategic alignment of the company, the planning and determination of the company budget, the allocation of resources as well as the control and

management of the divisions and business units. The executive board is responsible for the preparation of the quarterly accounts of the company, of the annual financial statements of secunet Security Networks AG and the consolidated financial statements.

The executive board works closely together with the supervisory board. It informs the supervisory board regularly and comprehensively in a timely manner of all questions relevant to the group as a whole relating to the strategy and strategy implementation, the planning, the business development, the financial and earnings situation, and entrepreneurial risks.

Responsible risk management

Good corporate governance also includes the responsible handling of risks for the company. A systematic risk management within the framework of our value-orientated group management ensures that risks are recognized and assessed at an early stage, and the risk items optimized. Details of the risk management are contained in the management report.

Information to the shareholders

secunet Security Networks AG reports to its shareholders four times in the fiscal year on the business development as well as on the financial and earnings situation.

The shareholders of secunet Security Networks AG can protect their rights in the general meeting, and exercise their voting rights there. The annual general meeting takes place in the first six months of the fiscal year. Already prior to the general meeting, the shareholders are informed comprehensively through the annual report and the invitation to the general meeting about the fiscal year just ended as well as the individual points of agenda of the pending general meeting. All documents and information concerning the general meeting as well as the annual report are also available on our website.

Within the framework of our investor relations work, regular meetings are held with analysts and institutional investors by the executive board chairman and the financial director.

Our shareholders are regularly informed of important dates by means of a financial calendar which is published in the annual report, the quarterly reports as well as on the company website.

Further detailed information concerning secunet Security Networks AG is compiled on our homepage www.secunet.com

Corporate Governance Guidelines

The Statutes of secunet Security Networks AG, all declarations of compliance as well as further documents relating to corporate governance are retrievable on the Internet under www.secunet.com on the pages Company/Investor Relations/Compliance & Corporate Governance.

Remuneration of the executive board and supervisory board

secunet complies in full with the recommendation of the Corporate Governance Code to disclose the remuneration paid to the individual executive board members. In this annual report, we report in detail on the remuneration of the supervisory board and executive board members.

Directors' dealings as per Section 15a German Act concerning the Trade in Securities (WpHG)

Under Section 15a WpHG, members of the supervisory board/executive board and comparable managers of secunet Security Networks AG are under an obligation to report their dealings in secunet shares or in related financial instruments once the total amount of their dealings exceeds Euro 5,000 by the end of any calendar year. This reporting obligation also applies to natural and legal persons closely associated with the aforementioned persons. The corresponding reports have been published under Directors' Dealings in the Investor Relations section of our website.

Directors' Dealings 2006

Date of report	Person reporting	Type of transaction	Type of financial instrument	Number of securities traded	Market price in Euro
27.02.2006	Ingo Baumgart	Sale	secunet shares	2,350	29,610.00
06.03.2006	Ingo Baumgart	Sale	secunet shares	5,000	62,500.00
24.08.2006	Thomas Pleines	Sale	secunet shares	5,000	40,617.54

The executive board and supervisory board together hold not more than 1 % of the shares in the company.

Declaration of conformity pursuant to Sect. 161 AktG – Stock Corporation Act

The executive board and supervisory board of secunet Security Networks AG hereby submit the following declaration of conformity regarding the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sect. 161 AktG. The declaration of compliance can also be found on the website of secunet on the page Company/Investor Relations/Compliance and Corporate Governance.

The recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 12 June 2006 – published in the Electronic Federal Gazette on 24 July 2006 – have been and are complied with by secunet Security Networks AG with the following exceptions:

3.8 para. 2

If the company takes out a management liability insurance for the executive board and supervisory board, a reasonable deductible should be agreed.

Explanation: The executive board of secunet conducts the business of the company with the highest degree of responsibility. The same applies for the supervisory board. Accordingly, a deductible would not result in any additional improvement or incentive.

5.1.2 para. 2, 3rd sentence

An age limit for executive board members should be laid down.

Explanation: There is currently no need to specify an age limit for the members of the executive board of secunet owing to their ages (years of birth 1954, 1964 and 1966).

5.3.2

The supervisory board should establish an audit committee.

Explanation: The supervisory board consists of six members. Owing to the number of members and the composition of the supervisory board, the establishment of a separate audit committee would not increase the efficiency of the audit of the financial statements.

5.4.7 para. 2

The members of the supervisory board should receive both a fixed and a performance-related remuneration.

Explanation: Of the six members of the supervisory board, three are employees of the majority shareholder Giesecke & Devrient GmbH and the other two are employees of RWTÜV AG. Accordingly, performance-related remuneration would not provide any additional incentive.

5.4.7 para. 3

The remuneration of the individual members of the supervisory board should be reported in the corporate governance report, broken down according to components.

Explanation: As the members of the supervisory board only receive fixed remuneration, which is also laid down in the Statutes of the company, it is not necessary to set out in the corporate governance report a break-down of the remuneration paid to the individual members of the supervisory board.

secunet Security Networks AG
Essen, dated 13 December 2006

– The executive board –

– The supervisory board –



Orientation

It is our manner to present complex systems transparently and understandably. We design and communicate individual solution strategies for the protection of digital values. As already successfully practised in the past, we will continue to be measured against this in the future. secunet stands for orientation.

Management report

Combined management report of the group and company

Contents

28	Business activities	40	Risk and opportunities report
28	Control of the secunet group	42	Executive board report in accordance with Sect. 312 AktG
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secunet Annual Report 2006

Specialization in complex solutions and high security

1. BUSINESS ACTIVITIES

secunet is a provider of IT security consultancy services and products/solutions. In this respect, secunet has specialized in the fields of complex solutions and IT high security. These are segments of IT security in which applications for professional use are developed and offered, for example complex cryptographic and signature systems. The offer is generally aimed at large-scale infrastructures. Most customers receive solutions tailored to their individual wishes, even where these are developed on the basis of common applications.

2. CONTROL OF THE SECUNET GROUP

As a German stock corporation, secunet Security Networks AG has a dual management and control structure. The group is controlled by the executive board whose members are appointed by the supervisory board. The supervisory board advises the executive board and supervises its management.

Control in accordance with financial ratios

The control of the secunet group by the executive board of secunet Security Networks AG is carried out according to financial ratios, basically sales and result figures, as well as according to ratios of capacity utilization and productivity. Within the scope of its meetings, the executive board informs itself comprehensively twice a month about the business situation and these ratios. On this basis, the executive board has up until now regularly agreed necessary measures with the persons operatively responsible in sales and project management. In the new organizational structure of secunet, this agreement now takes place with the heads of the business divisions.

3. GROUP STRUCTURE

The secunet group includes secunet Security Networks AG in Germany, and also the subsidiaries secunet SwissIT AG in Switzerland and secunet s.r.o. in the Czech Republic. secunet in Germany has seven locations in Berlin, Dresden, Essen (Headquarters), Frankfurt, Hamburg, Munich and Siegen. The contracts

for consultation and development are handled there in close proximity to the customer. In Munich, secunet additionally maintains a training center at which, in particular, users and administrators are trained in **Secure Inter-Network Architecture SINA**.

Since 1 January 2007, secunet in Germany has given itself a new company structure. The two divisions "Public Sector" and "Private Sector" clearly address the existing target groups comprising state, authorities and international organizations on the one hand and private enterprises on the other hand. They are managed in each case by a member of the executive board. Within the divisions, the focus is placed on specialist fields: In the division "Public Sector", the core competence cryptographic technology with the main product SINA falls under the business unit "High Security"; the business unit "Government" covers all further services and products for governmental users. The special field "Automotive" in the business unit with the same name, and IT security solutions for private companies in the business unit "Business Security" are combined in the division "Private Sector". The grounds for this restructuring and the expectations associated therewith are dealt with in the following sections of this management report.

New company
structure in Germany

4. ECONOMIC REPORT

a. Macro-economic environment

There was a considerable growth in the world economy overall in 2006. A significant contributory factor in this respect was the continued high speed of expansion of the rising economies. However, the economic activity in the industrialized countries also improved. Overall, the real gross domestic product (GDP) in the industrialized countries, seen over the entire year, increased by an estimated 3%, compared with 2.5% in the previous year.

Positive macro-
economic environment

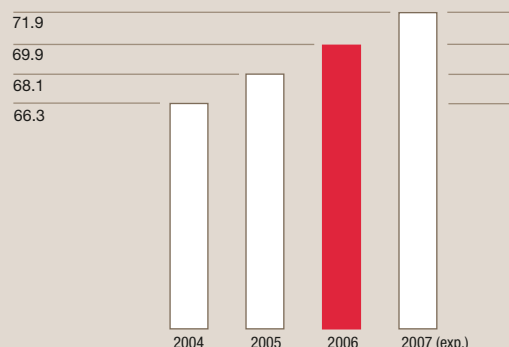
Germany is assuming in this respect more and more the role of the propeller of the economic activity in the Euro currency area. The German economy increased by 2.7% in 2006 compared with 0.9% in the previous year. Foreign trade again contributed significantly to the expansion of the economic performance. The investment activities inland showed an upward trend. Although replacement purchases are still the most important investment motive, the expansion motive in the case of expenditure for equipment appears to have gained further in importance. Private consumption shows rather an irregular picture. The purchases brought forward by reason of the increase in VAT as at 1 January 2007 also brought little effect since they were financed to a large extent from inventory changes.

Current survey results indicate that industry in the Euro area remains on course for growth in the current year 2007.

Further growth
expected in 2007

Under these favorable conditions, the situation with the public budgets improved in 2006. For the first time since 2001, the overall state deficit rate fell below the deficit rate of 3% anchored in the EC Treaty: According to provisional calculations, it lay at 2.0%. The fall in the deficit was, in particular, a result of the favorable economic development and the exceptionally strong rise in profit-related taxes.

Development of market volume IT sector in billion Euro



b. Sector developments

The development in the IT sector is evaluated by the industry association BITKOM (Bundesverband Informationswirtschaft Telekommunikation und neue Medien e.V. [German Federal Association for Information Technology Telecommunications and New Media]). The German market for information and communication (ICT) has developed very dynamically in the last decades. Since 1970, the expenditure for ICT in Germany approximately doubled per decade. The average annual growth rates amounted to approximately 7% in the seventies and eighties, and 9% in the nineties. Since then, the growth has clearly slowed down. In Germany, the IT market increased on average by 4.6% in the period from 1995 to 2004.

Positive outlook
for the ICT market

The future prospects for the ICT market are positive. However, a differentiation is to be made when considering the market picture. For 2007, a growth of 4% is predicted for the international market and a growth of 2.9% for the EU market. An above-average growth of the IT market is predicted for those countries which still have a pent-up demand in this field. Whilst, for example, the countries in Central and Eastern Europe are experiencing nothing less than a boom, the development in the rest of Europe is somewhat dampened. Unfortunately, Germany brings up the rear in the growth of the ICT market. Nevertheless, a clear recovery can be ascertained in information technology following the regressive development in the years 2002 and 2003. Within the information technology, sales are increasing in the fields of software and IT services, whilst they decreasing in the field of hardware due to the fall in prices.

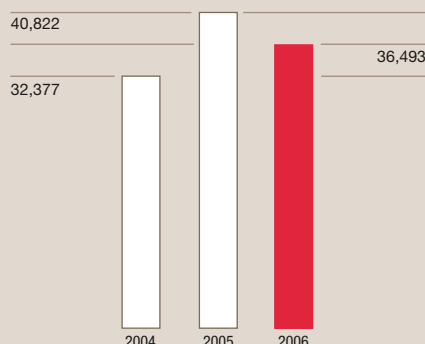
For 2007, BITKOM forecasts a growth in the German market for information technology in an amount of 2.9%. Whilst a continued drop is anticipated for hardware and systems, the forecast for market growth in the case of software amounts to 5.7% and in the case of IT services to 4.6%. BITKOM estimates the market volume in the year 2007 at approximately 72 billion Euro; thereof nearly 18 billion Euro for software and just over 30 billion Euro for IT services.

IT security profits from
the whole branch

Specific market statistics in the field of IT security are not prepared on a regular basis. Accordingly, an estimate for this market can essentially only be calculated indirectly: The sector of IT security benefits from the development of the overall sector. The development of expenditure on security is directly dependent upon the general expenditure for IT infrastructures.

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

Sales revenue by years in kEuro



Forecasts assume a clear growth of the market for security technology and electronic security systems. The association BITKOM sees, inter alia, the fields of biometrics and digital rights management as growth propellers for the future.

With its focus on IT high security and government bodies as customers, 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. Accordingly, secunet has also achieved a very strong competitive position in the field of SINA and the public-sector environment in the German market.

Its many years of experience and profound know-how in the field of IT security likewise lead to a strong market position in the consultancy business, both with governmental customers and in the private economy. In the special area of IT security for the automotive sector, secunet has achieved a sound reputation and a market position with good growth potential. There is room for improvement in secunet's market position in the case of products aimed at the target group private industry.

c. Analysis of the development in financial performance indicators

I. Development of earnings

Sales regressive compared with the previous year

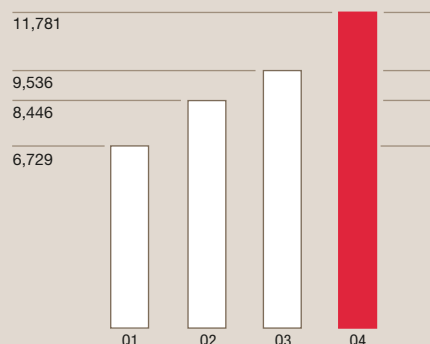
The consolidated sales of secunet Security Networks AG fell in the fiscal year 2006 from 40.8 mill. Euro in the previous year to 36.5 mill. Euro.

The fiscal year 2005 was an outstanding year in which the operating results were fuelled by a high demand for all secunet services and products, as well as by major projects in the field of SINA. In contrast thereto, particularly the first half year 2006 was characterized by restrained procurement activities on the part of the governmental customers. Following the parliamentary elections in 2005 and the following change of government, the national budget applied initially only on a preliminary basis. The national budget for 2006 was only passed in June 2006, and the loss in demand and sales resulting from this delay could not be made good in the course of the second half year.

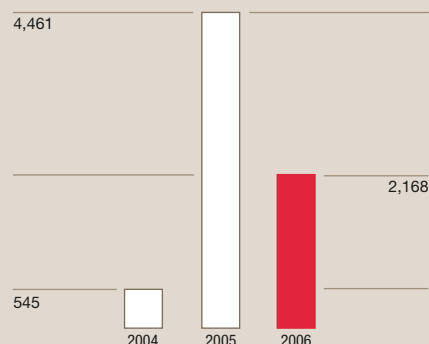
secunet successful
in niche position

Restrained demand
from public sector
customers in the first
half year

Sales revenue by quarters in kEuro



Development of EBIT by years in kEuro



As already in the previous year, the contribution of the **Secure Inter-Network Architecture SINA** to the sales was high. The drop in public procurement can also be seen in the distribution of sales. The share of special solutions mainly sold to governmental sections (secunet products, mainly SINA) sank from 52% in the previous year to 47% in the year 2006. At the same time, the share of the consultancy services increased from 41% (in 2005) to 49% (in 2006). There was also a drop in the share of sales of third party products (partner sales and bundled solutions) from 7% to 4%. The sales were achieved as to 93% (previous year 96%) in the German AG [stock corporation] and 7% in the foreign subsidiaries (previous year 4%). Approx. 4% of the sales were generated with group parent company Giesecke & Devrient (previous year: 4%).

Gratifying
development of sales
within the year

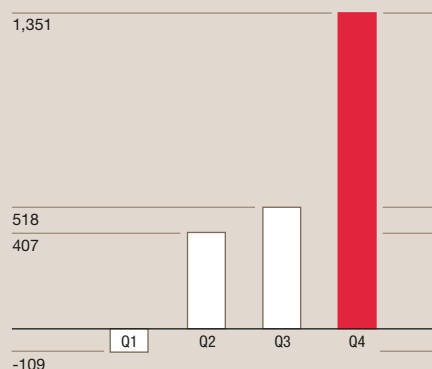
Notwithstanding the disappointing sales for the whole year 2006, the development from quarter to quarter was gratifyingly positive. This meant that sales in each case could be increased significantly in relation to the respective previous quarter (Q2/Q1: plus 26%, Q3/Q2: plus 13%, Q4/Q3: plus 24%).

Profitable notwithstanding drop in sales

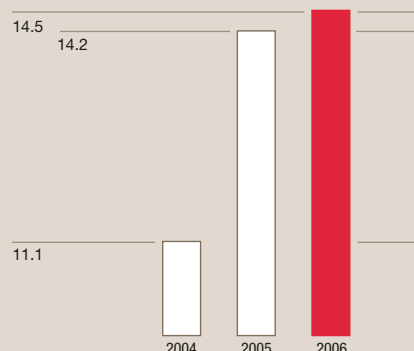
Notwithstanding the drop in sales, secunet was able to conclude the fiscal year with a result before interest and tax (EBIT) in the amount of 2.2 mill. Euro. Compared with the previous year, this means a drop of 51% or 2.3 mill. Euro. The EBIT margin fell from 10.9% to 5.9%.

Decisive for the result situation was the development of costs in the secunet group. All cost items sank in comparison with the previous year. The reduction in the cost of materials (minus 12% compared with the previous year) is attributable to the drop in sales, here in particular of the SINA projects associated with hardware deliveries. Notwithstanding an increase in the level of personnel, the personnel costs sank by 6% from 17.6 mill. Euro to 16.6 mill. Euro. The reason for this is the drop in the variable shares of the salaries as a result of the unsatisfactory operating result. Depreciation and amortization decreased by 7%. Due to the high share of fixed cost components, the other operating expenses could only be reduced slightly by 1%. The cost ratio, defined as the ratio of the corresponding cost items to the sales as a percentage, remained unchanged in the case of the cost of materials (31%) and in the case of depreciation and amortization (2%). The personnel cost ratio rose (45% in 2006 after 43% in 2005). In 2005, the balance arising from other operating income and other operating expenses constituted 13% of the sales; in the fiscal year 2006, the value amounts to 16%.

Development of EBIT 2006 by quarters in kEuro



Development orders on hand as at 31 Dec in mill. Euro



The financial result rose by 10% in comparison with the previous year due to the increase in exchange rate profits.

The result before tax of the secunet group worsened in comparison with the previous year by 2.2 mill. Euro or 49% from 4.6 mill. Euro to 2.4 mill. Euro. Basically as a result of the capitalization of deferred taxes on losses carried forward which had not been used up until now, the tax burden arising from the minimum taxation in the amount of approximately 0.4 mill. Euro was reduced by just over 0.2 mill. Euro to 0.2 mill. Euro. The net income for the year of the secunet group in the fiscal year 2006 thus amounts to 2.2 mill. Euro as opposed to 4.3 mill. Euro in the previous year. The undiluted earnings per share sank from 0.66 Euro to 0.34 Euro.

On the basis of HGB [*German Commercial Code*] accounting, secunet AG achieved a result before tax of 2.2 mill. Euro as opposed to 3.9 mill. Euro in the previous year on sales of 34.5 mill. Euro as against 39.7 mill. Euro in the previous year (minus 13%). The net income for the year sank from 3.3 mill. Euro in the year 2005 to 2.0 mill. Euro in the fiscal year 2006. The undiluted earnings per share amount to 0.30 Euro for 2006 as against 0.51 Euro in the previous year.

Earnings in the 4th quarter, 2006

secunet was also unable in the fiscal year 2006 to exceed the record values of the fourth quarter 2005. The sales in the fourth quarter 2006 lay with 11.8 mill. Euro at approximately 18% below the previous year value of 14.3 mill. Euro. As in the previous years, the fourth quarter was characterized by the working off of existing orders.

Record Q4 2006
not exceeded

Since the expenses decreased in total by just over 2 mill. Euro (from 13.0 to 10.9 mill. Euro), the EBIT in Q4-2006 only fell by 14%, from 1.6 mill. Euro in Q4-2005 to 1.4 mill. Euro.

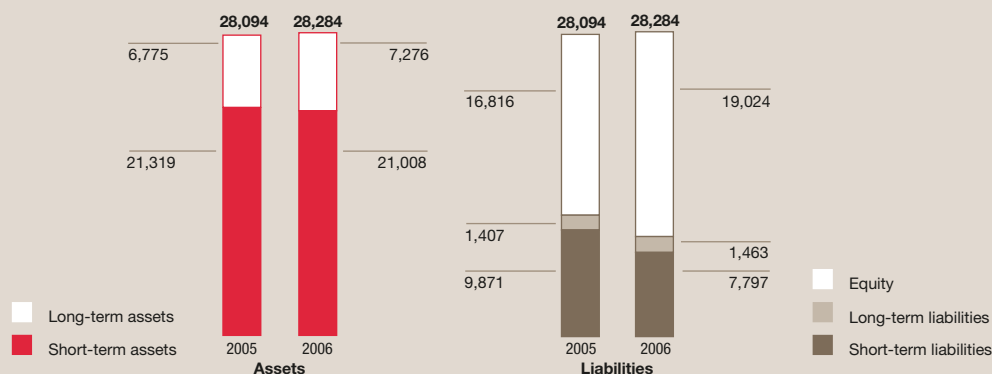
Full order books

As at 31 December 2006, the orders of the secunet group, with 14.5 mill. Euro, lay at approximately 2% above the orders at the end of the year 2005 (14.2 mill. Euro).

Order level above
previous year

The marked seasonal pattern of the development of orders which could be observed in 2004 and 2005 was not repeated in 2006. The lack of demand from governmental customers thereby became clearly visible: The increase in orders which is usual in the second and third quarters failed to take place in 2006. Accordingly, with 16.1 mill. Euro, the orders also lay below the average for the year of the previous year (18.6 mill. Euro).

Balance sheet structure in kEuro



The further development of orders depends upon the extent to which secunet can expand its sales capacities. In addition to the organic growth of secunet's own sales, resellers in Germany and abroad play an important role here. The latter contribute to expanding secunet's customer base, both in relation to governmental users and in the private economy.

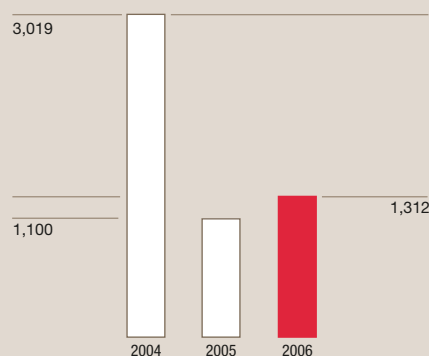
II. Financial and asset situation

The balance sheet total of the secunet group rose from 28.1 mill. Euro as of 31 December 2005 to 28.3 mill. Euro as of 31 December 2006. The changes in the balance sheet of the secunet group are expressed in the presentation of the balance sheet structure.

Assets	31.12.2006	31.12.2005
Cash and cash equivalents (Liquid funds)	30%	46%
Trade accounts receivable	39%	29%
Accounts receivable from affiliated companies	2%	0%
Tangible fixed assets	5%	4%
Intangible assets	0%	1%
Goodwill	10%	11%
Financial assets	2%	1%
Deferred taxes	8%	8%
Other assets	4%	1%
	100%	100%

Liabilities	31.12.2006	31.12.2005
Trade accounts payable	11%	6%
Other current liabilities	5%	6%
Other provisions	9%	19%
Finance leasing obligations	0%	1%
Pension provisions	5%	4%
Equity	67%	60%
Other liabilities	2%	4%
	100%	100%

Investments in kEuro



On the asset side of the balance sheet, the cash and cash equivalents decreased in both absolute (minus 34% compared with the level of the previous year) and in relative terms. This is for the most part due to the regressive operating result. Furthermore, the balance arising from receivables and liabilities increased, so that funds were tied up in this respect.

There was an increase in the other assets. The reason for this was an increase in the inventories and the financial assets.

All further items on the asset side of the balance sheet remain largely unchanged compared with the previous year.

On the liabilities side of the balance sheet, the share of shareholder's equity increased further. The equity capital ratio increased by seven percentage points from 60% to 67%. At the same time, there was a sharp drop in both absolute and relative terms of the other provisions (minus 50% compared with the previous year). Here in particular, the low allocation to provisions for bonuses (variable salary components) is reflected.

secunet did not resort to any loans, either in the fiscal year 2005 or 2006, choosing to finance all spending from cash and cash equivalents instead. Since no outstanding loans exist either, the debt ratio remains unchanged at 0%.

The balance sheet structure of secunet Security Networks AG is not separately annotated since this balance sheet, in the essential items, largely corresponds to that of the secunet group.

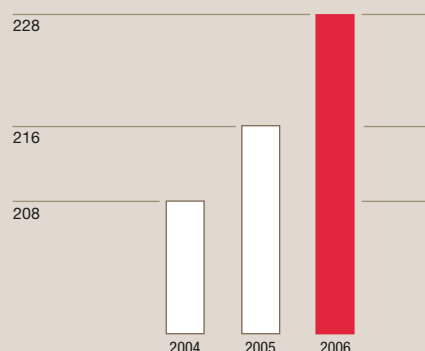
III. Capital expenditure and finance

In the fiscal year 2006, approximately 1.3 mill. Euro was spent on capital investments. Investments were made in the new procurement and replacement of hardware, software and other equipment. The expenditure on the same rose by 19% compared with the previous year.

Decrease in cash
and cash equivalents

No resort to loans

Development of employees
Number (as at 31 Dec)



Through the lower profit for the year in comparison with the previous year and through the cash flows as a result of the variable salary components for the very successful year 2005, as well as through the increased level of trade receivables compared with the previous year, the cash flow from operating activities became negative. With the inclusion of the financing of the expenditure on capital investments, a total negative cash flow in the amount of 4.4 mill. Euro resulted, which reduced the cash and cash equivalents of the group in the same amount.

d. Analysis of the development in non-financial performance indicators

I. R&D report

secunet conducts own research and development activities in only a very small scope. It is usual 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 of its own for which there was no specific demand.

II. Employees

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

At the end of fiscal year 2006, the secunet group had 228 employees, 12 persons or approximately 6% more than at the end of 2005. The increase occurred mainly in the productive areas – staff were recruited for the fields of product management, sales and consultancy services and development. Structures were in this way optimized in the areas close to production.

The employees at secunet are highly qualified: Some 79% are university graduates and 12 have a doctorate. All employees have comprehensive practical experience in project and development work. In addition, secunet attaches great importance to employees participating in training and development measures so as to keep their knowledge up to the latest level.

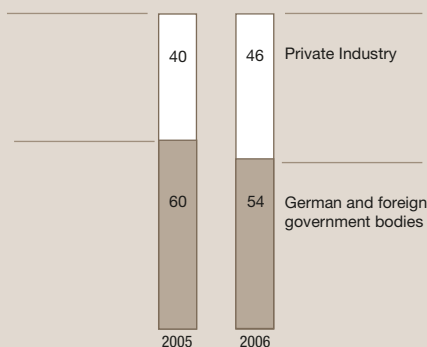
For secunet, a cooperative management which takes into account the needs and qualifications of the employees is of great importance. At secunet, management by objectives (MbO) has been established as a management technique. MbO is a management technique in which the management of personnel is carried out on the basis of agreements as to objectives. The system of objectives consists of upper and lower targets. The upper targets are determined by the corporate management. The lower targets are

Hardly any own
R & D activities

Highly qualified
employees

Management
by objectives

Customer structure in%



derived on the basis thereof, and agreed with the individual employees by the heads of the respective business divisions. The control of the implementation of the agreed objectives takes place annually: This forms the basis for the calculation of a part of the variable remuneration of the employees. A further part of the variable remuneration is dependent upon the corporate result of the company.

As a company offering training schemes, secunet also offers traineeships in business management.

III. Customer structure

secunet has up until now focused on customers from the state sector. Sales to government units and international organizations accounted for some 54% of group sales in 2006, compared with 60% in the previous year. This indicator likewise reflects the drop in demand from public sector customers in 2006.

Correspondingly, secunet, with approximately 46% of its sales, satisfies the demand for IT security from the private sector. In the previous year, this figure still lay at 40%. A part of the sales are accounted for by the business division Automotive, but the majority of the business relates to the classical consultancy business. The intention is to continuously increase the contribution of this category of customers to the sales of secunet.

Focus until now
on public sector
customers

5. REMUNERATION REPORT

The remuneration report summarizes the principles which are applied when determining the remuneration of the executive board of secunet Security Networks AG, and explains the amount and structure of the incomes of the executive board members. In addition, the principles and the amount of the remuneration of the supervisory board members are likewise described, and information given as to the shareholdings held by the executive board and supervisory board.

a. Remuneration of the executive board

For the determination of the executive board remuneration, the Chairman's Committee of the supervisory board is responsible, consisting of the chairman of the supervisory board, Dr Karsten Ottenberg, the deputy chairman of the supervisory board, Dr Wilhelm Wick and the supervisory board member Dr Peter Zattler.

Four remuneration components

In the fiscal year 2006, the remuneration consists of four components: a fixed annual salary, a variable bonus, a share-based remuneration and a contribution to the occupational pension scheme. In detail, the executive board remuneration is comprised as follows:

- The fixed remuneration is paid out monthly as a salary.
- The variable remuneration is based on the result of the company.
- The share-based remuneration consists of share options which were issued upon the terms of the share option program adopted by the general meeting of secunet Security Networks AG on 29 May 2001. The details of the share option program are presented in the Notes under the explanations concerning the shareholders' equity. The grant of new share options is not planned at the current time.
- Within the framework of the occupational pension scheme, members of the executive board receive contributions, the amount of which is laid down individually by contract.

In the event of the premature termination of an appointment, the contracts of the executive board members do not contain any express commitment of payment of compensation.

No "change of control" provisions

No special provisions are contained in the contracts of the executive board members in the event of a so-called "Change of Control" – that is to say, if one or more shareholders acting together acquire the voting majority at secunet Security Networks AG and exercise a controlling influence, if secunet Security Networks AG becomes a dependent company through the conclusion of an inter-company agreement within the meaning of Sect. 291 AktG [*Aktiengesetz – Stock Corporations Act*] or if secunet Security Networks AG is merged with another company.

In total, the remuneration for the activities of the members of the executive board amounted to kEuro 1,221.2 in the fiscal year 2006. For the individual members of the executive board, the following remuneration was determined for the fiscal year 2006:

in kEuro	Fixed remuneration	Variable remuneration	from share options	In Total
Dr Baumgart	147.9	186.0	0.0	333.9
Dr Frischat	50.0	186.0	0.0	236.0
Koelzer	123.0	186.0	0.0	309.0
Pleines	131.7	186.0	25.6	343.3
	452.6	744.0	25.6	1,222.2

The emoluments of the executive board amounted in the previous year to kEuro 1,002. This figure was comprised as to kEuro 507 fixed remuneration, kEuro 456 variable components and kEuro 39 from share options.

Mr. Thomas Pleines exercised 5,000 share options in the current fiscal year.

The executive board members receive no additional remuneration for the performance of their tasks in the subsidiary companies.

The pension rights of the executive board members amounted as at 31 December 2006 to:

in Euro	According to IFRS		According to HGB		
	Cash value	Current service time expense	Provision (part value 6%)	Reversionary cash value	Premium pursuant to HGB (6%)
Dr Baumgart	196,007.00	10,114.00	102,835.00	134,589.00	4,680.00
Koelzer	40,397.00	0.00	13,797.00	33,716.00	1,643.00
Pleines	125,709.00	8,251.00	56,056.00	89,742.00	3,010.00

Members of the executive board held 11,000 shares in secunet as at 31 December 2006 (previous year 18,350).

The members of the executive board receive no loans from the company.

Nor have any benefits been promised or granted by any third party in the fiscal year just ended to any member of the executive board regarding his activities as a member of the executive board.

b. Remuneration of the supervisory board

The remuneration of the supervisory board is laid down in Sect. 17 of the articles of association of secunet Security Networks AG. It is related to the tasks and the responsibility of the supervisory board members.

Remuneration of the supervisory board determined by company Statutes

In addition to an attendance fee as a flat rate sum for the reimbursement of expenses, the members of the supervisory board receive a fixed remuneration in the amount of kEuro 4. The chairman of the supervisory board receives a remuneration of kEuro 8, the deputy chairman of the supervisory board kEuro 6. For the fiscal year 2006, the emoluments of the supervisory board amounted to kEuro 32.0 (previous year: kEuro 32.9).

The members of the supervisory board receive no loans from the company.

Furthermore, in the year under review, the supervisory board members received no additional remuneration or benefits for services provided personally, in particular consultancy and negotiation services.

Regular meetings of
the risk committee

6. RISK AND OPPORTUNITIES REPORT

a. 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 developments which 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 to 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 within the framework of the meetings of the risk committee on the basis of their impact (low, medium or high level of damage) and probability. Following this, suggested countermeasures are drawn up. The executive board reviews these measures, and implements the same in a timely manner.

b. Risk reporting

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

Technological market
leadership is decisive
competitive factor

I. Competitive environment

Risks in the competitive environment are on the one hand those which threaten secunet's technological market leadership. Therefore, the risk committee regularly informed itself of 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 was threatened by developments on the part of competitors.

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.

II. Customer structure

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

The losses in sales suffered in the fiscal year 2006 from the reserved demand on the part of government units illustrate a further factor of uncertainty: The risk of a late budget release. In the case of projects with a high share of hardware or material, the temporary loss of sales thereby arising can be made good in the course of a fiscal year. In the case of consultancy projects with a high degree of personnel input, this is not possible. secunet has analyzed and assessed this risk. A repetition is not to be expected in the short term. In order to be able to react better to this possible risk in the medium term, or to reduce and compensate the damage arising therefrom, secunet continues to expand its activities in relation to the target group of the private economy.

III. Development risks

Risks from the development of new products which are not successful in the market are of secondary importance 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 the execution of the individual order leads to a marketable product, this is to be regarded as an opportunity with a positive impact on sales and result.

For example, *secunet multisign*, a solution for the mass generation of qualified electronic signatures, was a result of projects relating to the setting up of various trust centers. In the biometrics segment as well, product innovations have arisen from issues raised during consultancy activities.

IV. Risks from the sales structure

Marketing is accordingly regarded as a risk for secunet because the operating results still depend greatly on sales to new customers. To that extent, an effective sales organization is also an opportunity for the favorable development of the company. At the same time, sales and result can also be impacted if insufficient sales capacities are available, or they fail to meet customers' requirements. These risks are assessed on a regular basis. To this end, the risk committee always invites representatives from the secunet branches to its meetings so that they can report on the local sales situation.

V. SINA

The **Secure Inter-Network Architecture** SINA is secunet's lead product. Its related opportunities and risks are therefore discussed separately. The possible risks have been identified as the failure of the technology and the resulting loss of image, the loss of political support and the loss of key technological personnel. As opposed to this, the key opportunities are its significant potential for sales and result. The company sees further opportunities in that the majority of German government agencies could be equipped with SINA, that SINA could be successfully placed in the industrial segment and that international markets for SINA could be tapped.

Hardly any
development risks

SINA separately
discussed in the
risk committee

Major projects
as opportunity

VI. Opportunities and potential

Opportunities for secunet arise in particular from major public-sector infrastructure projects which 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 communications infrastructure of the German armed forces. Both projects could make a positive contribution to sales and the result of secunet Security Networks AG. However, a high degree of uncertainty exists as to when and to what extent these projects will have an effect on secunet. Whilst at least the go-ahead has been given for the project with the armed forces – a forecast of the receipt of the first orders is nevertheless not possible – both questions remain unanswered for all projects connected with the electronic health card.

There are currently no risks apparent which could jeopardize the existence of the company.

7. EXECUTIVE BOARD REPORT IN ACCORDANCE WITH SECT. 312 (3) AKTG [AKTIENGESETZ – STOCK CORPORATION ACT]

In accordance with Sect. 312 (3) AktG, the executive board has drawn up a report on dealings with affiliated companies for the fiscal year 2006. The report contains the following closing statement: "We hereby state that our company received reasonable consideration for each legal transaction listed. This opinion is based on the circumstances known to us as at the time of the reportable transactions. There were no further reportable transactions, measures or omissions above and beyond those activities reported."

8. DETAILS PROVIDED BY THE EXECUTIVE BOARD IN ACCORDANCE WITH SECT. 289 (4) AND SECT. 315 (4) HGB [HANDELSGESETZBUCH – GERMAN COMMERCIAL CODE]

For the fiscal year 2006, the executive board of secunet Security Networks AG provides the following details in accordance with Sect. 289 (4) and Sect. 315 (4) HGB:

Re para 1: The capital stock of secunet Security Networks AG of currently 6,500 kEuro is divided into 6,500,000 no-par-value bearer shares. Each share entitles the holder to one vote in the general meeting of secunet Security Networks AG.

Re para 2: With regard to the business model of secunet Security Networks AG, a restriction on the transfer of secunet shares could result from the provisions of the Außenwirtschaftsgesetz (AWG) [Foreign Trade and Payments Act]. For instance, Sect. 7 (2) no. 5 AWG provides that "legal transactions concerning the acquisition of enterprises resident in the territory which manufacture [...] cryptographic systems which [...] are approved by the Federal Office for Information Security for the transfer of classified government information" may be restricted.

Re para 3: The shares of the company are, according to the knowledge of the executive board, as to approx. 23.6%, in free float. Direct and indirect participations in the capital which exceed 10% of the voting rights are, according to the knowledge of the executive board, held by Giesecke & Devrient GmbH, Munich, with a participation of 50% plus one share, and also RWTÜV AG, Essen, with a participation of 26.4%.

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

No significant events took place after the end of the fiscal year.

10. OUTLOOK

The market for IT security continues to be a growth market. The main drivers of the growth are still:

IT security
continues to grow

- The general need for the basic protection of information and communications technology installations,
- The equipping of new products and solutions with the necessary security systems and
- The backlog in many areas of IT as a result of security not having been the focus of activities for so many years.

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

At the same time, there exists, in particular in the case of businesses in the private economy, a strong restraint in relation to high investments in IT security. Investments in high security are often only recognized as a reasonable expense once the damage has already occurred – a phenomenon only too well known in the circle of insurance companies. Accordingly, persuasion through high-quality consultancy work appropriate to the needs of the customer and the creation of a consciousness for the actual risks through the media and the responsible institutions, in particular in Germany the Federal Office for Information Security (BSI), is an important pillar of the business development of secunet.

Awareness of
necessity for
IT security important

The following trends are considered additions in IT security in 2007, which can also have effects on the business of secunet:

- The budgets for IT are expected to increase further.

Growing demand
both nationally
and internationally

- The expenditure on IT security could also rise: In many companies, the development of information risk management can be observed. IT security is an important element in order to fill the associated management systems with life. Here, mainly complex solutions are applied in which secunet is specialized.
- Security for mobile IT infrastructures in companies and government agencies remains one of the most important aspects. SINA Virtual Workstation and Virtual Desktop meet this challenge: secunet can satisfy this specific demand through focusing on the needs.

In general, sales in IT security are a derived function of the sales in the entire IT environment. The industry association BITKOM anticipates a growth of 5.7% in software and 4.6% in IT services in the German market for 2007. secunet operates in both areas. Market growth in IT security is fueled by the continuous demand from companies to digitalize their processes further and so to reap efficiency benefits.

International demand for information technology and telecommunications is also expected to grow in 2007: For the EU, the European Information Technology Observatory (EITO) forecasts a market growth of 2.9%.

A qualified forecast of the development in the branch over a longer period than the coming fiscal year is, on account of the particularly fast-moving developments in the IT field, hardly realistic.

Clear growth
strategy

The secunet group did not reach its objectives set for the year 2006. For the fiscal year 2007, the general conditions of the market for IT security give us reason to be optimistic. For 2007, we have set ourselves the objective of growing once again and generating corresponding profits, and of building on the development of the last few years.

We seek to achieve this objective through the following measures:

- **Restructuring the company organization**

In order to become more independent of fluctuations in demand from individual customer categories, secunet has revised its company organization. The two divisions "Public Sector" and "Private Sector" clearly address the existing target groups comprising state, authorities and international organizations on the one hand and private enterprises on the other hand. Within the divisions, the focus is placed on specialist fields: In the division "Public Sector", the core competence cryptographic technology with the main product SINA falls under the business unit "High Security"; the business unit "Government" covers all further services and products for governmental users. The special field "Automotive" in the business unit with the same name, and IT security solutions for private companies in the business unit "Business Security" are combined in the division "Private Sector". With its new organization, secunet can respond to the demands of its customers in a more focused, differentiated and requirement-orientated manner.

- **Tighter sales organization with clear target group focus**

For each of the business units of secunet, the sales and marketing division is equipped with capacities, and has been presented with challenging objectives. The organizational separation of the business units will facilitate focused access to the customer.

- **Internationalization**

In order to expand our potential and actual customer basis, we will rely both on intensifying the contacts in markets in which secunet has already established itself and also on tapping new markets. For these tasks also, clear responsibilities have been created.

IT security is a long-winded business; the decisions in this field are made on a long-term basis. To expect very short-term effects would therefore be unrealistic.

- **Expansion of the product field**

secunet's main product is the **Secure Inter-Network Architecture SINA**. In this field, which, corresponding to its importance, is managed as an independent business unit "High Security", we seek to continue operating at the top technologically, and to expand the existing competitive lead.

We wish to develop our other products, such as e.g. the mass signature solution *secunet multisign* and the biometric multi-application platform *secunet biomiddle*, further on the market. We expect new products to arise on the basis of the needs of our customers and the new challenges in IT security.

- **Focused acquisitions**

With the successful affiliation of the Secartis AG which was acquired in the year 2004, secunet has proved its ability to achieve a smooth integration of acquisitions. The executive board of secunet continues to observe attentively the consolidation tendencies of the market and to review interesting options.

The volatility of the project business makes it hard to forecast sales and result for the current fiscal year, still young when this report was written. Accordingly, as in previous years, we will only make a forecast for the year 2007 in a few months time.

Future-related statements

This annual report contains statements which 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, the actual results could differ from the results currently expected. Accordingly, we cannot accept any liability for these statements.

Explanatory report of the executive board

concerning the statements pursuant to Sect. 289, para. 4, and Sect. 315, para. 4, HGB

The statements contained in the combined management report of the group and the company for the fiscal year 2006 pursuant to Sect. 289, para. 4, and Sect. 315, para. 4, HGB are amplified by the executive board of secunet Security Networks AG as follows:

1. The share capital of secunet Security Networks AG of currently kEuro 6,500 is divided into 6,500,000 no-par-value bearer shares. Each share entitles the holder to one vote in the general meeting of secunet Security Networks AG.
2. With regard to the business model of secunet Security Networks AG, a restriction on the transfer of secunet shares may arise from the provisions of the Foreign Trade and Payments Act – Außenwirtschaftsgesetz – (AWG). For instance, Sect. 7 (2) no. 5 provides that “legal transactions concerning the acquisition of enterprises resident in the territory which manufacture [...] cryptographic systems which [...] are approved by the Federal Office for Information Security for the transfer of classified government information” may be restricted.

Beyond the restrictions of the Foreign Trade and Payments Act, the shareholders of secunet Security Networks AG are limited neither by German laws nor by the Statutes of the company in their decision to acquire or sell shares of the company. In particular, the acquisition and sale of shares does not require the consent of the organs of the company or other shareholders in order to be effective. The voting rights of the shareholders are not subject to any restrictions, either by law or according to the Statutes of the company, provided the necessary notices have been given. The voting rights may not be limited to a certain number of shares or a certain number of votes. All shareholders who have produced evidence to the company of their entitlement to participate in the general meeting and to exercise their voting rights by means of a corresponding proof referring to the point in time prior to the general meeting prescribed by law, and which has reached the company at the address notified herefor in the notice of the meeting within the period prescribed by law prior to the general meeting, are entitled to exercise the voting rights under all shares held and correspondingly evidenced by them. The sole voting prohibitions are those prescribed by statute.

The executive board is not aware of any agreements between shareholders under which restrictions arise in relation to the transfer of voting rights or shares of the company.

3. According to the knowledge of the executive board, approx. 23.6% of the shares of the company are in free float. According to the knowledge of the executive board, direct and indirect participations in the capital which exceed 10% of the voting rights are held by Giesecke & Devrient GmbH, Munich, with a participation of 50% plus one share, and also RWTÜV AG, Essen, with a participation of 26.4%.
4. secunet Security Networks AG has not issued any shares which grant special rights.

5. As all other shareholders of the company, those employees who have holdings in the capital of the company decide themselves on the exercise of their voting and control rights, and therefore exercise their control rights directly.

6. The executive board of secunet Security Networks AG is appointed and removed exclusively in accordance with the statutory provisions, in particular Sects. 84, 85 Aktiengesetz – Stock Corporation Act. The company Statutes do not contain special provisions for the appointment or removal of individual or all the members of the executive board. The supervisory board alone is responsible for their appointment and removal. It appoints executive board members for a maximum of five years. A renewed appointment or extension of the term of office is admissible; in each case for a maximum of five years.

The company Statutes may be amended by resolution of the general meeting. The amendment becomes effective upon its entry in the Commercial Register. Resolutions of the general meeting require a simple majority of the votes cast unless the Statutes or mandatory statutory provisions specify a different majority.

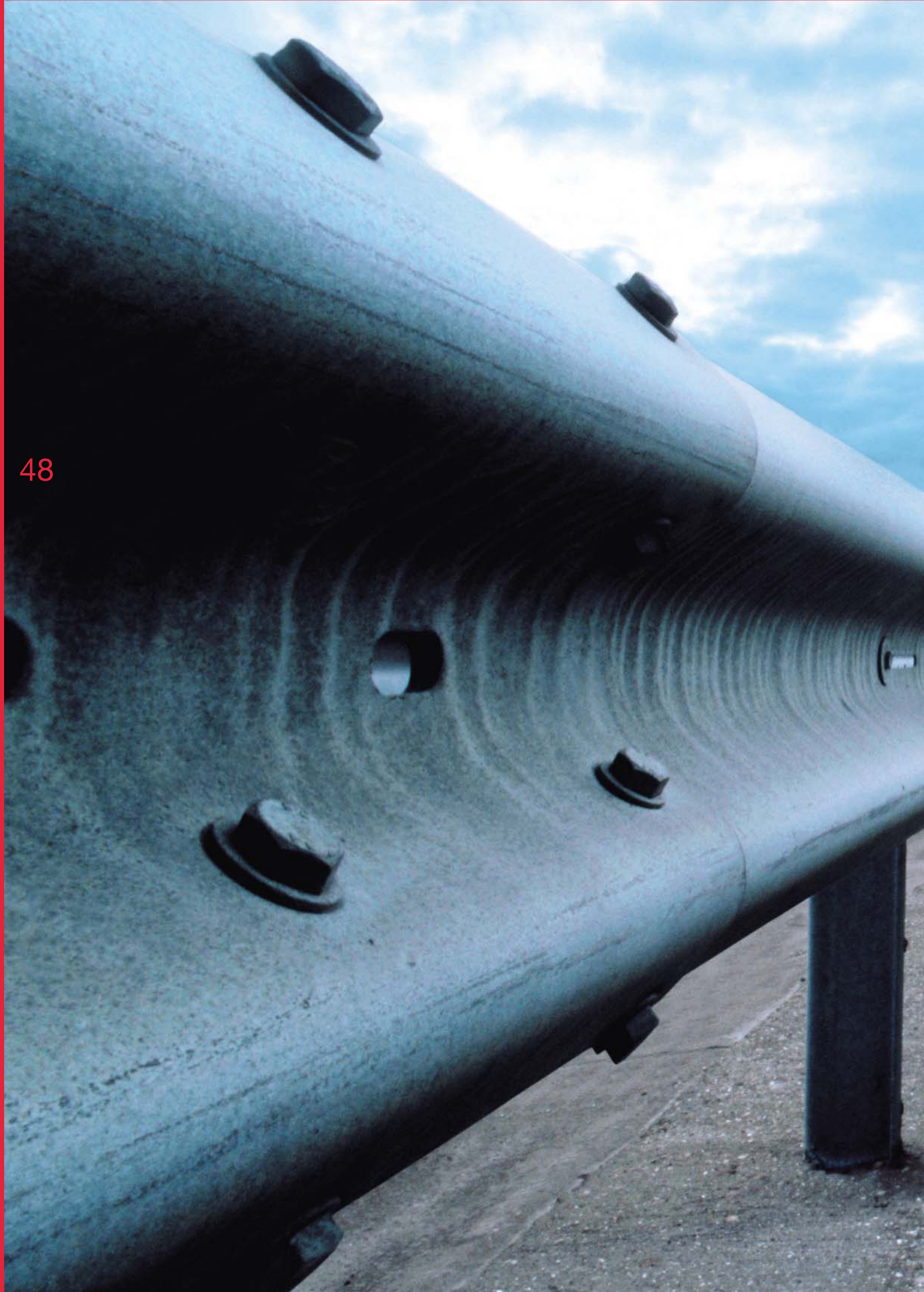
7. At the present time, the Statutes of secunet Security Networks AG do not provide for either the possibility of a conditional increase in capital, nor any power of the executive board to increase the share capital through the issue of new shares in return for a capital contribution; accordingly no authorized capital exists. Nor does any power exist for the company to acquire its own shares in accordance with Sect. 71, para. 1, no. 8 AktG. The executive board has, however, the possibility to offer to the persons entitled the own shares currently held by the company (31,938 bearer shares per 31 December 2006) to serve the share options under the share option program resolved in 2001. Other than as stated above, the executive board of secunet Security Networks AG currently has no power to issue or buy back shares.

8. No significant agreements of the company exist which are subject to the condition of a change in control as a result of a take-over offer.

9. No compensation agreements of the company exist which have been made with the members of the executive board or employees for the event of a take-over offer.

Essen, in March 2007

secunet Security Networks AG
The executive board



Showing the direction

The median time values of knowledge are becoming increasingly shorter. Technical progress develops at a rapid pace, and the introduction of new products on the market happens ever faster. For years now, we have always been a few steps ahead in development. In this way, we contribute to shaping the future. secunet stands for future.

Consolidated financial statements (IFRS)

Consolidated balance sheet of secunet Security Networks AG (IFRS)

ASSETS in Euro	Notes	31 Dec 2006	31 Dec 2005
Current assets			
Cash and cash equivalents	(1)	8,430,450.62	12,845,872.17
Trade accounts receivable	(2)	11,122,327.90	8,015,239.43
Accounts receivable from affiliated companies	(2)	448,646.50	66,394.46
Inventories		534,587.25	168,485.19
Other current assets	(2)	189,335.24	223,349.82
Claims from income tax		282,868.91	0.00
Total current assets		21,008,216.42	21,319,341.07
Non-current assets			
Tangible assets	(3)	1,393,064.91	1,199,728.01
Intangible assets	(3)	104,396.25	160,740.92
Goodwill		2,950,000.00	2,950,000.00
Financial assets	(4)	564,371.63	245,691.63
Deferred taxes	(5)	2,264,486.21	2,218,929.67
Total non-current assets		7,276,319.00	6,775,090.23
Total assets		28,284,535.42	28,094,431.30

EQUITY AND LIABILITIES in Euro

	Notes	31 Dec 2006	31 Dec 2005
Current liabilities			
Current portion of capital lease obligations	(6)	64,194.59	94,207.69
Current loans and current portion of non-current loans		6.82	0.00
Trade accounts payable	(6)	3,176,472.83	1,756,378.04
Accounts payable to affiliated companies	(6)	21,842.52	0.00
Other provisions	(7)	2,675,376.21	5,358,752.17
Income tax liabilities		0.00	607,559.00
Other current liabilities	(6)	1,488,383.50	1,629,161.19
Deferred items		371,025.61	425,219.29
Total current liabilities		7,797,302.08	9,871,277.38
Non-current liabilities			
Capital lease obligations, less current portion	(6)	24,477.67	88,672.26
Deferred taxes	(5)	69,127.25	129,097.30
Pension provisions	(7)	1,369,370.00	1,189,664.56
Total non-current liabilities		1,462,974.92	1,407,434.12
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)	-108,974.77	-168,771.13
Accumulated deficit		-9,250,615.49	-11,426,459.38
Accumulated other overall result	(8)	-38,157.12	-11,054.49
Total equity		19,024,258.42	16,815,720.80
Total equity and liabilities		28,284,535.42	28,094,431.30

Consolidated income statement of secunet Security Networks AG (IFRS)

in Euro	Notes	1 Jan – 31 Dec 2006	1 Jan – 31 Dec 2005
Sales	(9)	36,492,804.84	40,821,571.69
Other operating income	(10)	1,518,477.31	2,058,957.62
Cost of purchased materials and services	(11)	-11,187,171.39	-12,633,993.40
Personnel expenses	(12)	-16,558,040.23	-17,559,813.74
Depreciation and amortization		-853,396.33	-921,326.92
Other operating expenses	(13)	-7,244,757.41	-7,304,345.27
Operating result		2,167,916.79	4,461,049.98
Interest income/expense	(14)	174,389.83	176,264.18
Foreign currency exchange gains/losses		23,054.94	3,819.87
Result before tax		2,365,361.56	4,641,134.03
Taxes on income	(15)	-189,517.67	-362,000.00
Net income		2,175,843.89	4,279,134.03
Earnings per share (undiluted)		0.34	0.66
Earnings per share (diluted)		0.33	0.66
Average number of shares outstanding (undiluted)		6,446,225	6,450,507
Average number of shares outstanding (diluted)		6,500,000	6,500,000

Consolidated cash flow statement of secunet Security Networks AG (IFRS)

in Euro	1 Jan – 31 Dec 2006	1 Jan – 31 Dec 2005
Cash flow from operating activities		
Net profit	2,175,843.89	4,279,134.03
Adjustments for:		
Depreciation and amortization	853,396.33	921,326.92
Increase/decrease in provisions	-2,478,593.71	1,211,447.48
Increase/decrease in deferred taxes	-105,526.59	-200,000.00
Interest income and expenses	174,389.83	176,264.18
Cash flows from taxes	-1,096,300.75	0.00
Gains/losses on the disposal of fixed assets	0.00	-34,608.00
Foreign currency exchange gains/losses	-23,054.94	-3,819.87
Other (non-cash transactions)	59,796.36	96,929.25
Decrease (increase) in current receivables, inventory and other assets	-4,276,063.73	655,566.63
Increase (decrease) in current liabilities and other liabilities	1,616,431.01	-1,909,921.20
Cash and cash equivalents generated from/used in operating activities	-3,099,682.30	5,192,319.42
Cash flow from investment activities		
Acquisition of fixed assets	-1,311,691.56	-1,147,799.66
Proceeds from the sale of fixed assets	0.00	48,000.00
Cash and cash equivalents used for investments	-1,311,691.56	-1,099,799.66
Cash flow from financing activities		
Cash and cash equivalents generated from/used in financing activities	0.00	0.00
Net effect of currency conversions of cash and cash equivalents	-4,047.69	-29,541.12
Increase/reduction in cash and cash equivalents	-4,415,421.55	4,062,978.64
Cash and cash equivalents at beginning of period	12,845,872.17	8,782,893.53
Cash and cash equivalents at end of period	8,430,450.62	12,845,872.17

Consolidated statement of changes in equity of secunet Security Networks AG (IFRS)

in Euro	Subscribed capital	Capital reserves	Treasury stock	Accumulated deficit	Accumulated other overall result	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			59,796.36			59,796.36
Foreign currency differences					-27,102.63	-27,102.63
Net profit 1 Jan – 31 Dec 2006				2,175,843.89		2,175,843.89
Equity as at 31 Dec 2006	6,500,000.00	21,922,005.80	-108,974.77	-9,250,615.49	-38,157.12	19,024,258.42

Notes to the consolidated financial statements of secunet Security Networks AG for the fiscal year 2006 (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) provides 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 executive board following their preparation on 12 March 2007.

Newly issued accounting rules not applied prematurely

The IASB has issued the following standards, interpretations and amendments to existing standards the application of which is, however, not yet obligatory and which are also not applied prematurely by secunet AG. A pre-requisite for the application of these IFRS is that they are accepted by the EU within the framework of the IFRS endorsement procedure.

- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies
Obligatory application for fiscal years commencing on or after 1 March 2006
- IFRIC 8 Scope of IFRS 2
Obligatory application for fiscal years commencing on or after 1 May 2006
- IFRIC 9 Reassessment of embedded derivatives
Obligatory application for fiscal years commencing on or after 1 June 2006
- IFRIC 10 Interim financial reporting and impairment
Obligatory application for fiscal years commencing on or after 1 November 2006
- Amendment of IAS 1 Presentation of the financial statements – disclosures as to capital
Obligatory application for fiscal years commencing on or after 1 January 2007
- IFRS 7 Financial instruments: Disclosure
Obligatory application for fiscal years commencing on or after 1 January 2007
- IFRIC 11 Group and treasury share transactions under IFRS 2
Obligatory application for fiscal years commencing on or after 1 March 2007
- IFRIC 12 Service concession arrangements
Obligatory application for fiscal years commencing on or after 1 January 2008
- IFRS 8 Operative segments
Obligatory application for fiscal years commencing on or after 1 January 2009

The first application of the amendments of IAS 1 and IFRS 7 will lead to more expansive disclosures in the Notes. secunet AG is currently examining the effects of IFRS 8 on the consolidated financial statements. The first application of the remaining rules referred to will not, according to current assessments, have any significant influence on the presentation of the financial statements.

Basic principles of the consolidated financial statements

The consolidated financial statements were drawn up in compliance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. The pre-requisites of Sect. 315a of the German Commercial Code (HGB) are complied with. All standards whose application was mandatory as at the balance sheet date were taken into account in this respect.

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. Deviations can thereby arise between the amounts shown in the consolidated financial statements and the actual values. Areas with greater scope for evaluation or greater complexity, or 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 continually revised. They are based on past experience and various other factors, including expectations in relation to future events, 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-orientated business, it does not have business segments. As foreign business accounts for only about 6.6% of the total business, a geographical segment report has been dispensed with.

Consolidated group

The consolidated financial statements include, in addition to secunet, all subsidiaries for which secunet has the control over their financial and business policies; as a rule accompanied by voting rights of more than 50%. There were no shares in the equity and result for the year attributable to minority interests in the reporting period or in the previous year.

As at 31 December 2006, the consolidated group consisted, as in the previous year, of three companies.

- secunet SwissIT AG, Switzerland, Solothurn, 100% participation;
equity capital of the company kCHF 431; result for the year 2006 kCHF 111
- secunet s.r.o., Czech Republic, Prague, 100% participation;
equity capital of the company kCZK -3,963; result for the year 2006 kCZK 315
- Secunet Inc., USA, Austin, Texas, 100% participation (shell company).
The company is no longer operational, and for reasons of materiality
has no longer been consolidated since the fiscal year 2002.

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.

Consolidation principles

The purchase method is used for capital consolidation. In this connection, the acquisition costs of the acquired shares are set off against the revalued equity capital. The assets and debts of the affiliated company acquired are recognized in this case at their respective current values. Residual active differences in amount are capitalized according to IFRS 3 and subjected to an annual intrinsic value review.

Expenses and income and also accounts receivable and payable as between consolidated companies are eliminated. Interim results are eliminated in so far as they are not of minor importance.

Write downs on shares in consolidated companies that were made in individual financial statements are reversed within the scope of the consolidation.

Reporting currency

The group's reporting currency is the Euro.

The financial statements of the subsidiaries prepared in foreign currencies are converted according to the concept of the functional currency. In the consolidated financial statements, the balance sheet items of all foreign companies are converted from the respective local currency into Euros at the mid-day rates prevailing at the balance sheet date, because the foreign companies included in the consolidated financial statements conduct their business independently in their local currency. Differences compared with the conversion of the previous year are set off against the equity capital without impact on the result in the item "accumulated other overall result". Expense and income items are converted at average annual rates.

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

1 Euro =	CHF	CZK
31 Jan 2006	1.5540	28.3809
29 Feb 2006	1.5645	28.3407
31 Mar 2006	1.5756	28.6615
30 Apr 2006	1.5651	28.4998
31 May 2006	1.5599	28.2154
30 Jun 2006	1.5644	28.4716
31 Jul 2006	1.5728	28.4657
31 Aug 2006	1.5763	28.2446
30 Sept 2006	1.5857	28.3206
31 Oct 2006	1.5893	28.3279
30 Nov 2006	1.5886	27.9879
31 Dec 2006	1.6092	27.4850
Average	1.5755	28.2835

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, participating interests, 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 the respective financial assets were acquired. The management determines the classification of financial assets when they are 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, as a basic principle, recorded as of the trading date. Subsequent revaluation 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 power of disposition over the contractual rights arising from them. Financial liabilities are written off the balance sheet when the obligations set out 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 on 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 of acquisition. They are likewise subject to review for possible impairment.

Inventories

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

Tangible and intangible assets

Tangible assets include exclusively factory and office equipment and are stated at their cost of acquisition less accumulated scheduled depreciation and impairment write-downs. When tangible assets 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 with impact on the expenses.

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 measured. Subsequent revaluation 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 maintain the original economic benefit of existing software systems are recorded as an expense once this maintenance 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 the acquisition of a company is included in the intangible assets. In accordance with IFRS 3 in combination with IAS 36 (in 2004) and IAS 38 (in 2004), no scheduled amortization of goodwill is carried out. Instead, the goodwill is subjected to an annual impairment test and stated at its original cost of acquisition less accumulated write-downs.

Impairments of assets

Assets without a certain service life are not depreciated on a scheduled basis but tested annually for impairment. Assets subject to scheduled write-down are tested for impairment if corresponding 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 or the use value. 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 high, this reversal, apart from write-downs of goodwill, is recognized as revenue in the income statement. In the year under review there were no impairments.

Financial assets

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 result for the period having due consideration to tax timing. Deferred taxes are stated according to IAS 12 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 carry-forwards 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. For the determination of the latent taxes, the tax rates are applied which, according to the statutory provisions applicable at the balance sheet date, are expected to be valid at the realization date.

Leases

Lease agreements for tangible fixed 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 commencement of the term of the lease at the lower of the lease asset's fair value or 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 opportunities associated with ownership of the 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 period 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 at the balance sheet date that relate to past events and are uncertain in terms of amount or maturity. The provisions are recognized in the amount of the most probable occurrence. Possible refund claims are not offset.

Pension provisions

Pension provisions for defined benefit plans are valued in accordance with IAS 19 using the projected unit credit method. Future obligations are valued using actuarial methods in the estimate of the relevant determining factors.

Actuarial profits or losses are set off with impact on the result only if they lie outside a margin of ten percent of the scope of obligation at the beginning of the period ("defined benefit obligation"). In such a case, the actuarial profits or losses are recorded immediately with impact on the result. The pension provisions shown are based on actuarial expert opinions of an independent actuary.

Deferred income

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

Equity

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

Treasury stock is the treasury stock held by the parent company itself. The acquisition of treasury stock is reported in the consolidated financial statements as changes in equity. No profit or loss for the sale, issue or redemption of treasury stock is reported in the income statement. The counter-performance within the scope of such transactions is recognized in the consolidated financial statements as changes in equity.

The exchange rate differences from the conversion of financial statements of foreign subsidiaries are recorded in the accumulated other overall result.

Recognition of sales

Sales are recorded when it is probable that the economic benefit associated with the corresponding transaction will flow to the company, and the amount of the sales can be reliably measured. Sales are recorded less value added tax and any discounts if the performance or service has been completed, and the risks and opportunities associated with the ownership have been transferred. Work in progress for customers is recorded under sales in the amount of the works already completed in relation to the overall performance to be furnished.

Notes on the balance sheet

The balance sheet is broken down into non-current and current assets and liabilities. Assets and liabilities are recognized in this respect as current where they are due within one year.

In accordance with IAS 12, deferred taxes are shown as non-current assets and liabilities.

(1) Cash and cash equivalents

The cash and cash equivalents comprise checks, cash on hand and bank balances. The bank balances include overnight investments as well as short-term fixed deposit investments at the Commerzbank Essen in an amount of kEuro 6,900. The interest rate amounts to between 3.40% and 3.51% p.a.

The development of the cash and cash equivalents is presented in the cash flow statement.

(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 at 31 December 2006 of Euro 905,146.24 (previous year: Euro 700,195.83).

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

The other current assets are comprised mainly of advance payments.

(3) Tangible and intangible assets

Tangible assets

The development of the tangible assets, which comprise exclusively factory and office equipment, is shown below:

in Euro	2006	2005
Accumulated acquisition costs as at 1 Jan	5,311,228.02	5,413,707.26
Additions	960,543.76	931,583.39
Disposals	-344,079.59	-1,034,062.63
As at 31 Dec	5,927,692.19	5,311,228.02
Accumulated depreciation as at 1 Jan	4,111,500.01	4,286,319.74
Additions	764,583.86	853,108.85
Disposals	-341,456.59	-1,027,928.58
As at 31 Dec	4,534,627.28	4,111,500.01
Residual book value at 31 Dec	1,393,064.91	1,199,728.01

The tangible fixed assets include 15 company cars (previous year: 20 company cars) which are assigned within the framework of finance leasing to the fixed assets (see also (6)).

There are no restrictions on the right of disposition over fixed assets, nor were assets pledged to lenders.

Intangible assets

The development of the intangible assets is shown below:

Intangible assets

in Euro	2006 Goodwill	2006 Software	2005 Goodwill	2005 Software
Accumulated acquisition costs as at 1 Jan	2,950,000.00	777,804.17	2,950,000.00	696,864.23
Additions	0.00	32,467.80	0.00	107,017.35
Disposals	0.00	-43,421.76	0.00	-26,077.41
As at 31 Dec	2,950,000.00	766,850.21	2,950,000.00	777,804.17
Accumulated amortization as at 1 Jan	0.00	617,063.25	0.00	574,923.04
Additions	0.00	88,812.47	0.00	68,218.07
Disposals	0.00	-43,421.76	0.00	-26,077.86
As at 31 Dec	0.00	662,453.96	0.00	617,063.25
Residual book value at 31 Dec	2,950,000.00	104,396.25	2,950,000.00	160,740.92

In the fiscal year 2004, goodwill of kEuro 2,950 arose through the acquisition of SECARTIS AG; 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 SECARTIS AG itself was dissolved through the merger with secunet AG. For the impairment test, the recoverable amount of secunet AG was first 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 at the balance sheet date. The fair value was determined on the basis of the secunet AG share price on 31 December 2006 and amounts to kEuro 55,900 at a share price of Euro 8.60 per share. Even after deduction of high disposal costs, this value clearly exceeds the book value of secunet AG, so that there is no necessity for a write-down.

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 in the amount of Euro 553,498.63 (previous year: Euro 234,818.63) results from the reinsurance of pension obligations for secunet employees assumed from previous employers.

(5) Deferred taxes

In the year under review, a new appraisal of the feasibility of active latent taxes on retained losses brought forward was made. The deferred tax assets were 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.

As at 31 December 2006, the amount of corporation tax and trade tax loss carry-forwards for which no deferred tax assets were recognized was kEuro 7,332 and kEuro 3,883 respectively (previous year: kEuro 5,911 and kEuro 4,159 respectively). In addition, loss carry-forwards exist in the foreign companies of kEuro 1,425 (previous year: kEuro 1,700) for which no deferred taxes are recognized. The non-recognized deferred tax assets amount to kEuro 2,736 (previous year: kEuro 2,609).

The calculation of the domestic deferred taxes is based on a tax rate of 40.0% (previous year 39.9%). This tax rate includes trade income tax and corporation tax including the solidarity surcharge.

The composition of the deferred taxes as stated in the balance sheet is shown below:

Balance sheet

in Euro	31 Dec 2006	31 Dec 2005
Deferred tax assets		
due to provisions for pensions and similar obligations	174,340.51	204,186.10
due to loss carried forward/result for the year	2,093,799.04	1,926,148.97
due to other matters	-3,653.34	88,594.60
	2,264,486.21	2,218,929.67
Deferred tax liabilities		
due to accounts receivable	-39,956.34	-99,926.39
due to other matters	-29,170.91	-29,170.91
	-69,127.25	-129,097.30
Total	2,195,358.96	2,089,832.37

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

Income statement

in Euro

	1 Jan – 31 Dec 2006	1 Jan – 31 Dec 2005
Deferred tax assets		
due to provisions for pensions and similar obligations	-29,845.59	-16,576.65
due to loss carried forward/result for the year	167,650.07	218,269.58
due to other matters	-92,247.94	47,673.57
	45,556.54	249,366.50
Deferred tax liabilities		
due to accounts receivable	59,970.05	-49,366.50
due to other matters	0.00	0.00
	59,970.05	-49,366.50
Total	105,526.59	200,000.00

(6) Liabilities

Up until 31 December 2004, the company had entered into a total of 56 (previous year: 56) lease agreements for company cars for a net acquisition 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 shown in the balance sheet of secunet.

They are depreciated over four years on a straight-line basis. As at the balance sheet date, a residual book value of Euro 124,380.85 (previous year: Euro 247,381.56) was shown for the vehicles in the balance sheet. Finance lease liabilities are carried at the net present value of the lease payments. The computation was based on an internal rate of 3%.

in Euro	31 Dec 2006 Book value	31 Dec 2006 Net present value	31 Dec 2005 Book value	31 Dec 2005 Net present value
Up to 1 year	70,147.16	64,194.59	99,944.94	94,207.69
More than 1 year but less than 5 years	27,549.83	24,477.67	97,696.99	88,672.26
Total	97,696.99	88,672.26	197,641.93	182,879.95

Interest income in the fiscal year amounted to Euro 23,055.78 (previous year: Euro 38,267.25).

The liabilities to affiliated companies are comprised of trade accounts payable.

In the fiscal year 2006, in deviation from the previous year, the obligations for the costs of the financial statements in the amount of Euro 48,500.00 (previous year: Euro 64,181.30) and also for invoices still outstanding in the amount of Euro 259,173.00 (previous year: Euro 399,483.64) were reclassified from the provisions to other liabilities. The entry in the previous year was adjusted correspondingly.

The other current liabilities are broken down as follows:

in Euro	31 Dec 2006	31 Dec 2005
Wage and church tax payable	221,365.67	270,992.21
Social security contributions payable	15,237.14	281,399.35
Value added tax payable	473,467.62	341,327.16
Liabilities to employees	47,475.23	29,182.21
Outstanding invoices	259,173.00	399,483.64
Cost for financial statements	48,500.00	64,181.30
Other liabilities	423,164.84	242,595.32
Total	1,488,383.50	1,629,161.19

(7) Other provisions and pension 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 at the date of leaving the company. Entitlement to an 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.

The appraisal as at 31 December 2006 was based on assumed trends for salary developments of 2.5% (previous year: 2.0%), a pension trend of 1.5% per annum (previous year: 1.5% p.a.), an inflation rate of 1.5% p.a. (previous year: 1.5% p.a.) and a computed interest rate of 4.5% per annum (previous year: 4.0% p.a.). The calculation was based on the 2005 mortality tables by Prof. Dr Klaus Heubeck.

Pension commitments as at 31 December 2006 amount to Euro 1,457,349. The difference compared with the balance sheet disclosure of Euro 1,369,370.00 results from an actuarial loss. In so far as non-realized actuarial gains/losses exceed 10% of the pension commitments, this excess amount is immediately recognized in the income statement with impact on the result.

The pension provisions developed in the reporting period as follows:

in Euro	2006	2005
As at 1 Jan	1,189,664.56	993,027.00
Addition due to change in scope of consolidation	0.00	0.00
Current service cost	159,796.00	109,755.55
Interest expenses	70,183.00	36,116.00
Disposals	-50,273.56	0
Adjustments due to recorded actuarial losses/ gains	0	50,766.01
Expenses for pension plans	179,705.44	196,637.56
As at 31 Dec	1,369,370.00	1,189,664.56

The pension obligations developed in the last four years as follows:

Year	Net present value
2003	517,714 Euro
2004	902,891 Euro
2005	1,310,402 Euro
2006	1,457,349 Euro

There was no utilization or reversal of the provision in 2006.

In the reporting period, secunet paid kEuro 1,001 (previous year: kEuro 1,015) 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. In deviation from the previous year, the obligations for the costs of the financial statements and also for invoices still outstanding were reclassified to other liabilities. The entry in the previous year was adjusted correspondingly.

The development of the provisions is shown below:

in Euro	1 Jan 2006	Utilization	Reversal	Addition	31 Dec 2006
End-of-year bonus	3,906,652.00	-3,766,069.00	-101,862.00	1,643,047.00	1,681,768.00
Outstanding vacation	253,514.50	-253,514.50	0.00	322,808.00	322,808.00
Contributions to employers' liability insurance association	90,000.00	-77,295.43	-12,704.57	75,000.00	75,000.00
Other	1,108,585.67	-1,026,960.29	-34,711.23	548,886.06	595,800.21
Total	5,358,752.17	-5,123,839.22	-149,277.80	2,589,741.06	2,675,376.21

(8) Equity

The development of the equity is presented in the Consolidated Statement of Changes in Equity.

The subscribed capital remains unchanged at Euro 6,500,000.00. It is divided into 6,500,000 no-par-value bearer shares. All shares are fully paid up. With a profit for the year of Euro 2,175,843.89, the undiluted earnings per share are Euro 0.34 (6,446,225 shares) as opposed to Euro 0.66 (6,450,507 shares) in the previous year.

The diluted earnings per share are Euro 0.33 (6,500,000 shares) as opposed to Euro 0.66 (6,500,000 shares) in the previous year.

The secunet capital reserves remain unchanged in relation to 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 relates to the share premium from the initial public offering.

The accumulated other overall result consists exclusively of exchange rate differences from the conversion of foreign financial statements.

No dividend was paid out for 2005. The executive board of secunet AG has not proposed a dividend for 2006.

Share 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 executive board 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 2006, the company still held 31,938 shares (previous year: 49,493). The no-par-value shares have a mathematical nominal value of Euro 108,974.77. This corresponds to a share of 0.5% (previous year 0.8%) of the share capital. The balance sheet recognition in the amount of Euro 108,974.77 (previous year: Euro 168,771.13) is disclosed in a separate item under equity.

In the 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 no earlier than April 2004, and a further 50% from November 2004.

In the 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% from December 2005.

In the fiscal year 2006, a total of 12,555 share options were exercised at an average exercise price of Euro 9.65 (Xetra). As at the balance sheet date, another 18,375 share options were outstanding. No options expired in the fiscal year 2006.

In the fiscal year 2002, a total of 10,000 share options were issued to members of the executive board at a subscription price of Euro 3.00. 50% of the options could be exercised from March 2004 or November 2004 respectively at the earliest, and a further 50% not before March 2005 or November 2005 respectively. In each of the fiscal years 2005 and 2006, 5000 options were exercised.

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 according to the so-called 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 up until the fiscal year 2006 was Euro 73,108.00 as of 31 December 2006. In the expenses for wages and salaries 2006, no pro-rata expenses are contained from the share option program (previous year: Euro 4,255.00).

Income statement

(9) Sales

Sales in 2006 were as follows:

in Euro	2006	2005
Consultancy (secunet services)	17,899,536.75	16,634,543.43
Special solutions (secunet products)	17,032,808.12	21,434,002.77
Bundled solutions (solutions with third-party products)	488,031.85	590,454.79
Partner distribution (third-party products)	1,072,428.12	2,162,570.70
Total	36,492,804.84	40,821,571.69

Total domestic sales were achieved in the amount of Euro 34,090,817.00 (previous year: Euro 39,405,775.39). The share of foreign sales amounted to Euro 2,401,987.84 (previous year: Euro 1,415,796.30).

(10) Other operating income

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

in Euro	2006	2005
Income from administrative and personnel services	94,526.94	51,191.31
Income from the reversal of provisions	172,332.79	148,100.70
Income from utilization of provisions	1,023,173.72	1,707,640.83
Other	228,443.86	152,024.78
Total	1,518,477.31	2,058,957.62

(11) Cost of materials

in Euro	2006	2005
Cost of purchased goods	9,124,074.89	10,820,572.73
Cost of purchased services	2,063,096.50	1,813,420.67
Total	11,187,171.39	12,633,993.40

(12) Personnel expenses

in Euro	2006	2005
Wages and salaries	12,296,432.07	11,273,600.20
End-of-year bonuses and benefits	1,604,224.06	3,741,135.69
Overtime payments	4,633.91	6,954.38
Other expenses for wages and salaries	42,920.77	38,935.90
Wages and salaries, total	13,948,210.81	15,060,626.17
Employer's contribution to social security	2,349,205.26	2,167,924.01
Employer's liability insurance association	75,000.00	90,000.00
Severely handicapped charge	0.00	36,000.00
Social security contributions	2,424,205.26	2,293,924.01
Addition to pension provisions	179,705.44	196,637.56
Financial aid	5,918.72	8,626.00
Pension expenses	185,624.16	205,263.56
Personnel expenses	16,558,040.23	17,559,813.74

In fiscal year 2006, 218 employees were employed on average compared with 202 employees in the previous year (excluding executive board).

(13) Other operating expenses

The other operating expenses can be broken down as follows:

in Euro	2006	2005
Rental and lease expenses	1,529,226.21	1,240,362.33
Travel expenses	1,034,190.89	1,043,346.45
Advertising expenses	637,548.90	554,212.13
Vehicle costs	595,183.72	537,638.18
Addition to provisions	472,308.94	1,156,483.00
Other third-party services	395,649.34	253,726.59
Other consulting, expert opinions, information	290,318.92	256,963.39
Postage, telephone and bank charges	271,220.75	292,066.19
IT costs	227,869.66	261,221.77
Incidental personnel costs	219,950.24	286,201.71
Servicing/maintenance	207,546.73	215,783.94
Commissions and licenses	195,559.33	0.00
Insurance	138,120.85	132,309.86
Contributions/fees	117,417.05	30,313.47
Audit/pension expert opinion	102,879.11	115,221.53
Entertainment/representation	86,358.62	110,347.36
Other administrative services	83,000.00	53,884.97
Office supplies	72,032.72	59,199.91
De-recognition of accounts receivable	54,881.06	261,622.42
Technical literature and prints	24,188.55	22,477.77
Legal advice	15,390.88	1,524.56
Other	473,914.94	419,437.74
Total	7,244,757.41	7,304,345.27

(14) Interest income/expense

Interest income of Euro 201,815.23 (previous year: Euro 182,955.57) results from income from time and overnight deposits with banks.

The interest expense in the year 2006 of Euro 27,425.40 (previous year: Euro 6,691.39) basically comprises interest on repayment obligations which arose by reason of price audits.

(15) Taxes on income

In the year under review, actual taxes in the amount of Euro 295,044.24 were incurred (previous year: Euro 562.000).

The income tax expense is based on the theoretical tax expense. In this respect, a tax rate in the amount of 40.0% (previous year: 39.9%) was applied to the result before tax.

in Euro	2006	2005
Result before tax	2,365,361.56	4,641,134.03
Theoretical tax income/expense	-946,144.62	-1,851,812.48
Other matters	-80,483.44	102,268.58
Utilization of loss carry-forwards	731,583.82	1,387,543.90
Effective tax expense	-295,044.24	-362,000.00

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 in cash flows between operating, investment and financing activities. Cash and cash equivalents include cash on hand, current bank accounts, and time/overnight deposits with banks.

The cash flow from the operating activities was determined according to the indirect method.

In the year under review, the interest expense was Euro 27,425.40 (previous year: Euro 6,691.39) as against interest income of Euro 201,815.23 (previous year: Euro 182,955.57). Other taxes were paid in a total of Euro 28,249.40 (previous year: Euro 19,460.32). All income and expenses were recorded under cash flow from operating activities.

Other disclosures

Financial instruments

Liquidity risks

Liquidity risks can arise when customers are not in a position to meet their obligations to the group as they fall due. 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.

Cash and cash equivalents

The book value of the cash equivalents roughly 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 roughly 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, 13 leasing agreements (previous year: 48) were concluded for company cars with a net acquisition value of Euro 414,303.17 (previous year: Euro 1,514,255.17) to replace expired leasing agreements. These are to be regarded as operating leases and have a term of four years. The lessor is Mobility Concept GmbH, Unterhaching. These vehicles are shown in the balance sheet of the lessor. In the year under review, leasing payments were made for these in an amount of Euro 317,992.60 (previous year: Euro 288,745.56).

Nomial/in Euro	2006	2005
Long-term lease agreements for sundry office space	3,110,199.31	4,172,338.46
Lease agreements for factory and office equipment	1,045,324.74	1,133,677.78
Total	4,155,524.05	5,306,016.24

The maturity periods of the obligations are shown below:

Nominal/in Euro	2006	2005
Up to 1 year	1,395,476.63	1,563,325.26
More than 1 year but less than 5 years	2,760,047.42	3,734,726.98
More than 5 years	0.00	7,964.00
Total	4,155,524.05	5,306,016.24

Corporate governance

secunet AG has issued the declaration required pursuant to Sect. 161 AktG, Stock Corporations Act, and made it available to shareholders.

Organs

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

Dr rer. nat. Rainer Baumgart, chairman

Dr rer. nat. Steffen Frischat (until 30 June 2006)

Dipl.-Ingenieur Thomas Koelzer

Dipl.-Betriebswirt (FH) Thomas Pleines

Auditor's fees

In 2006, the auditor of the consolidated financial statements PriceWaterhouseCoopers AG received an audit fee of kEuro 19 for the audit 2005. BDO Deutsche Warentreuhand AG received an audit fee in the amount of kEuro 40 for the audit of the financial statements 2006.

In 2006, kEuro 34 was paid to PriceWaterhouseCoopers AG and kEuro 2 to BDO Deutsche Warentreuhand AG for tax consultancy services. A further kEuro 15 was paid to BDO Deutsche Warentreuhand AG for other consultancy services.

Relationships to companies associated with Giesecke & Devrient GmbH

secunet is a 50% + 1 share subsidiary of Giesecke & Devrient GmbH, Munich. secunet, with its consolidated financial statements, is included in the consolidated financial statements of Giesecke & Devrient GmbH.

RWTÜV AG which, in the year under review, received a share of 26.4% through the merger with the CUBIS COM Holding GmbH, is to be regarded as a further associated company.

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	2006	2005
Giesecke & Devrient GmbH, Munich	1,386,833.08	1,640,224.29
Papierfabrik Louisenthal GmbH, Gmund	51,331.62	28,494.15
Giesecke & Devrient Egypt Services, LLC., Egypt	37,433.07	0.00
Venyon GmbH, Munich	17,169.30	0.00
Giesecke y Devrient de México S.A. de C.V., Tlalnepantla de Baz, Mexico	0.00	990.00
Giesecke & Devrient GB Ltd., Wembley, GB	0.00	9,658.08
Giesecke & Devrient Asia Pte. Ltd., Singapore	-468.59	3,056.49
Total	1,492,298.48	1,682,423.01

All transactions were at market prices.

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

in Euro	2006	2005
Giesecke & Devrient GmbH, Munich	356,175.06	405,081.43
Total	356,175.06	405,081.43

All transactions were at market prices.

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

in Euro	2006	2005
Giesecke & Devrient GmbH, Munich	425,895.48	51,936.86
Giesecke & Devrient Asia Pte. Ltd., Singapore	0.00	9,209.34
Papierfabrik Louisenthal GmbH, Gmund	5,850.63	5,248.26
Venyon GmbH, Munich	16,900.39	0.00
Total	448,646.50	66,394.46

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

in Euro	2006	2005
Giesecke & Devrient GmbH, Munich	21,842.80	0.00
Total	21,842.80	0.00

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

In the reporting period, sales in the amount of kEuro 1 (previous year: kEuro 8) and expenses in the amount of kEuro 533 (previous year: kEuro 739) were settled up with RWTÜV AG and subsidiaries. All transactions were at market prices.

As at the balance sheet date, neither accounts receivable (previous year: none) nor liabilities (previous year: kEuro 55) existed as towards the RWTÜV group.

Events after the balance sheet date

No material events occurred after the balance sheet date.

The executive board
Essen, 12 March 2007

Dr Rainer Baumgart

Thomas Koelzer

Thomas Pleines

Audit Certificate

We have audited the consolidated financial statements prepared by secunet Security Networks Aktiengesellschaft, Essen, for the financial year from 01 January 2006 to 31 December 2006, consisting of balance sheet, profit and loss statement, schedule of changes in equity, cash flow statement and notes as well as the group status report. The preparation of the consolidated financial statements and the report on the status of the company and the group according to IFRS as applicable in the EU, and according to the stipulations under commercial law that are to be applied additionally pursuant to Section 315a subsection 1 German Commercial Code (HGB), as well as according to the supplemental provisions contained in the articles of association, is the responsibility of the company's legal representatives. It is our task to prepare an assessment of the consolidated financial statements and the report on the status of the company and the group on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German standards for auditing financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer (IDW)). These specifications require that the audit be planned and conducted in such a manner that inaccuracies and infringements that substantially affect the view of the assets, financial and earnings position as provided by the consolidated financial statements – taking into account the applicable accounting standards – and by the group status report are identified with a sufficient degree of certainty. The scope of the audit was planned taking into account our knowledge of the Group's business activities, the economic and legal environment as well as expectations of possible errors. Within the scope of the audit, the effectiveness of the accounting-related internal control system as well as documentation for the statements contained in the consolidated financial statements and the report on the status of the company and the group are evaluated, mainly on the basis of samples. The audit comprises the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the consolidated entity, the applied accounting and consolidation principles and the legal representatives' essential assessments as well as an appreciation of the overall presentation of the consolidated financial statements and the report on the status of the company and the group. We believe that our audit provides a sufficiently secure basis for our assessment.

Our audit led to no objections.

Our assessment on the basis of insights obtained in the course of the audit is that the consolidated financial statements comply with the IFRS as applicable in the EU, the stipulations under commercial law that are to be applied additionally pursuant to Section 315a subsection 1 German Commercial Code (HGB), as well as the supplemental provisions contained in the articles of association, and provide an accurate view of the Group's assets, financial and earnings position-taking into account the applicable accounting standards. The report on the status of the company and the group corresponds to the consolidated financial statements and provides a true overall view of the Group's position, and accurately represents the risks and opportunities of its future development.

Essen, 12 March 2007

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rittmann
Auditor

ppa. Fritz
Auditor

Financial Statements of secunet AG

Balance Sheet of secunet Security Networks AG as of 31 December 2006
(HGB)

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ASSETS in Euro	Notes	31 Dec 2006	31 Dec 2005
A. Non-current assets			
I. Intangible assets		2,507,199.00	2,749,470.00
II. Property, plant and equipment		1,229,378.00	933,690.89
III. Financial assets		2,070,582.31	1,209,993.31
Total non-current assets	(1)	5,807,159.31	4,893,154.20
B. Current asset			
I. Inventories	(2)	1,439,733.49	790,157.54
II. Accounts receivable and other assets	(3)	8,618,221.00	6,104,503.10
III. Marketable securities	(4)	108,974.77	168,771.13
IV. Liquid assets	(5)	7,741,405.92	12,732,908.49
Total current assets		17,908,335.18	19,796,340.26
C. Deferred items		102,659.90	50,702.90
Total assets		23,818,154.39	24,740,197.36

EQUITY AND LIABILITIES in Euro	Notes	31 Dec 2006	31 Dec 2005
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		108,974.77	168,771.13
IV. Accumulated deficit		-11,603,208.58	-13,623,038.98
Total equity	(6)	16,662,071.61	14,702,037.57
B. Provisions	(7)	3,617,466.54	6,980,263.39
C. Liabilities	(8)	3,210,267.75	2,632,677.12
D. Deferred items		328,348.49	425,219.28
Total equity and liabilities		23,818,154.39	24,740,197.36

Income Statement of secunet Security Networks AG for the period from 1 January to 31 December 2006 (HGB)

in Euro	Notes	2006	2005
1. Sales revenue	(9)	34,465,066.88	39,649,616.18
2. Inventory changes		265,837.00	-210,341.00
3. Other operating income	(10)	1,413,410.86	2,055,395.19
4. Cost of materials	(11)	-10,819,051.31	-12,291,564.94
5. Personnel expenses	(12)	-15,296,573.78	-16,645,483.19
6. Depreciation and amortization of intangible fixed assets and property, plant and equipment	(13)	-888,978.10	-831,172.03
7. Other operating expenses	(14)	-7,126,421.42	-7,968,791.31
8. Net interest income	(15)	225,549.12	166,916.16
9. Income from ordinary activities		2,238,839.25	3,924,575.06
10. Taxes	(16)	-278,805.21	-635,892.79
11. Net income/loss		1,960,034.04	3,288,682.27
12. Withdrawal from reserve for treasury stock		59,796.36	96,929.25
13. Loss carried forward		-13,623,038.98	-17,008,650.50
14. Accumulated deficit		-11,603,208.58	-13,623,038.98

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

in Euro	Acquisition costs			
	As of 1 Jan 2006	Additions	Reposting	Retirements
I. Intangible assets				
Industrial property and similar rights	246,911.80	0.00	0.00	0.00
Software	597,460.81	43,582.38	0.00	-45,978.93
Goodwill	2,950,000.00	0.00	0.00	0.00
Intangible assets, total	3,794,372.61	43,582.38	0.00	-45,978.93
II. Property, plant and equipment				
Other plant, factory and office equipment	4,179,908.85	922,450.72	0.00	-329,645.76
Advanced payments and construction in progress	20,259.89	0.00	0.00	-20,259.89
Property, plant and equipment, total	4,200,168.74	922,450.72	0.00	-349,905.65
III. Financial assets				
Interest in affiliated companies	556,539.96	0.00	0.00	0.00
Loans to affiliated companies	2,050,550.26	541,909.00	0.00	0.00
Shareholdings	0.00	0.00	0.00	0.00
Other loans				
DEBRIV settlement claims	10,873.00	0.00	0.00	0.00
Reserve capital resulting from reinsurance coverage	234,818.63	318,680.00	0.00	0.00
Financial assets, total	2,852,781.85	860,589.00	0.00	0.00
Total fixed assets	10,847,323.20	1,826,622.10	0.00	-395,884.58

Accumulated depreciation and amortization					Book values		
As of 31 Dec 2006	As of 1 Jan 2006	Additions	Retirements	As of 31 Dec 2006	As of 31 Dec 2006	As of 31 Dec 2005	
246,911.80	233,151.80	5,690.00	0.00	238,841.80	8,070.00	13,760.00	
595,064.26	467,630.81	83,543.38	-45,978.93	505,195.26	89,869.00	129,830.00	
2,950,000.00	344,120.00	196,620.00	0.00	540,740.00	2,409,260.00	2,605,880.00	
3,791,976.06	1,044,902.61	285,853.38	-45,978.93	1,284,777.06	2,507,199.00	2,749,470.00	
4,772,713.81	3,266,477.85	603,124.72	-326,266.76	3,543,335.81	1,229,378.00	913,431.00	
0.00	0.00	0.00	0.00	0.00	0.00	20,259.89	
4,772,713.81	3,266,477.85	603,124.72	-326,266.76	3,543,335.81	1,229,378.00	933,690.89	
556,539.96	529,238.28	0.00	0.00	529,238.28	27,301.68	27,301.68	
2,592,459.26	1,113,550.26	0.00	0.00	1,113,550.26	1,478,909.00	937,000.00	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	
10,873.00	0.00	0.00	0.00	0.00	10,873.00	10,873.00	
553,498.63	0.00	0.00	0.00	0.00	553,498.63	234,818.63	
3,713,370.85	1,642,788.54	0.00	0.00	1,642,788.54	2,070,582.31	1,209,993.31	
12,278,060.72	5,954,169.00	888,978.10	-372,245.69	6,470,901.41	5,807,159.31	4,893,154.20	

Notes to the financial statements of secunet Security Networks AG for the fiscal year 2006 (HGB)

General principles

The financial statements of secunet AG were drawn up in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – 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. In supplementation of the balance sheet layout defined in the German Commercial Code, the “Financial assets” item was expanded to include the item “Reserve capital resulting from reinsurance coverage”. The income statement was drawn up using the type of expenditure 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 mainly includes the goodwill resulting from the acquisition of SECARTIS AG, which, based on the tax provisions, will be amortized over a service life usual for such operations 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 carried out with the highest possible rates permitted by tax law. A switch from the declining-balance to the straight-line method of depreciation takes place in the year in which the straight-line depreciation amount exceeds the declining-balance depreciation amount. Low-value assets are written off in their full amount and shown as disposals in the year of acquisition.

Shares in affiliated companies and participations are stated at cost. Loans to affiliated companies and other loans are reported at their nominal value. Financial assets are written down to their lower fair value to reflect permanent impairments in value.

Current assets

Inventories are valued at the cost of acquisition or manufacture for tax purposes in accordance with Guideline 33 of the German Income Tax Regulations (EStR) or lower values at 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, the company pension scheme 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 valued at the lower of cost or stock market price. In the year under review, it is reported at cost.

The cash and cash equivalents and prepaid expenses are valued at their nominal value.

Liabilities

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 obligations as per Sect. 6a Income Tax Act (EStG) and the accrued pension rights as at the balance sheet date.

The tax provisions and the other provisions were formed in accordance with prudent commercial assessment, having regard to all recognizable and uncertain obligations.

Liabilities are carried at the repayment sum.

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

Notes on the balance sheet and income statement of secunet Security Networks AG

(1) Fixed assets

The breakdown and development of the fixed assets of secunet AG are shown in the fixed assets movement schedule, attached to the Notes as Annex.

(2) Inventories

in Euro	31.12.2006	31.12.2005
Work in progress	905,146.24	639,309.24
Goods for resale	509,676.04	114,848.30
Advances paid for inventories	24,911.21	36,000.00
Total	1,439,733.49	790,157.54

(3) Accounts receivable and other assets

in Euro	31.12.2006	31.12.2005
Trade accounts receivable	7,339,828.96	5,568,266.55
Receivables from affiliated subsidiaries of which trade accounts	955,196.47 (954,993.06)	387,312.68 (313,280.64)
Other assets	323,195.57	148,923.87
Total	8,618,221.00	6,104,503.10

As at the balance sheet date, claims exist against secunet SwissIT – after set-off against the liabilities – in the amount of 53,625.68 Euro. The claims include trade receivables of 231,573.51 Euro, other receivables of 2,666.05 Euro as well as trade accounts payable of 180,613.88 Euro. Claims against Giesecke & Devrient GmbH are shown – after set-off against the liabilities – in an amount of 404,052.68 Euro. These include trade receivables of 425,692.07 Euro, other receivables of 203.41 Euro as well as trade accounts payable of 21,842.80 Euro.

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

(4) Securities

The securities comprise treasury stock. This is reported at cost. As of the balance sheet date, the company holds 31,938 shares of treasury stock (previous year: 49,493), which corresponds to 0.491 percent of the share capital (previous year: 0.761%). 17,555 shares were sold at a price of 3.00 Euro (under the share option program). The shares sold correspond to 0.270% of the share capital.

(5) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances.

(6) Equity

The share capital amounts to 6,500,000.00 Euro. It is divided into 6,500,000 no-par-value bearer shares.

A reserve for treasury stock is reported in the amount of the treasury stock shown under current assets (108,974.77 Euro). The reserve for treasury stock has been adjusted in the amount of the value adjustment to the treasury stock and the change in the number according to the employee share options exercised.

The accumulated deficit includes loss brought forward of 13,623,038.98 Euro.

Since 26 March 2004, Giesecke & Devrient GmbH has a majority holding in secunet AG (50% plus one share). The previous majority shareholder of secunet AG, RWTÜV AG, has a holding of approx. 26.37% as at the balance sheet date.

(7) Provisions

in Euro	31.12.2006	31.12.2005
Provisions for pensions and similar obligations	690,584.00	594,845.00
Provisions for tax	3,209.10	663,417.00
Other provisions	2,923,673.44	5,722,001.39
Total	3,617,466.54	6,980,263.39

The other provisions basically comprise obligations towards personnel (2,004,576.00 Euro), outstanding invoices (259,173.00 Euro) and follow-up costs (257,624.51 Euro).

(8) Liabilities

in Euro	31.12.2006	31.12.2005
Bank loans and overdrafts	6.82	0.00
Advances received for orders	34,903.14	0.00
Trade accounts payable	2,330,871.52	1,648,876.17
Accounts payable to affiliated companies of which trade accounts	0.00 (0.00)	44,977.50 (44,977.50)
Other liabilities of which taxes of which relating to social security	757,545.66 (694,833.29) (15,237.14)	938,823.45 (612,319.37) (281,399.35)
Total	3,210,267.75	2,632,677.12

All liabilities have a residual term of less than one year.

(9) Sales

Sales were achieved in the following regions:

in Euro	2006	2005
Domestic	32,278,130.26	37,881,761.98
Foreign	2,186,936.62	1,767,854.20
Total	34,465,066.88	39,649,616.18

Sales in 2006 were comprised as follows:

in Euro	2006	2005
Consultancy (secunet services)	16,536,158.45	15,462,587.92
Special solutions (secunet products)	17,184,576.48	21,434,002.77
Bundled solutions (solutions using third party products)	95,913.92	590,454.79
Partner distribution (third party products)	648,418.03	2,162,570.70
Total	34,465,066.88	39,649,616.18

(10) Other operating income

The other operating income essentially comprises income in the amount of 1,413,410.86 Euro from utilizing provisions relating to several types of expense and incidental revenues.

(11) Cost of materials

in Euro	2006	2005
Cost of purchased goods	9,109,472.44	10,806,784.95
Cost of purchased services	1,709,578.87	1,484,779.99
Total	10,819,051.31	12,291,564.94

(12) Personnel cost

in Euro	2006	2005
Wages and salaries	13,023,771.59	14,418,295.09
Social security contributions	2,160,646.34	2,112,464.10
Pension expenses	106,237.13	106,098.00
Support expenses	5,918.72	8,626.00
Total	15,296,573.78	16,645,483.19

(13) Amortization and depreciation of intangible and tangible fixed assets

The amortization and depreciation is broken down in the fixed assets movements schedule according to individual items (see Annex to the Notes).

(14) Other operating expenses

Other operating expenses of 7,126,421.42 Euro 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	2006	2005
Other interest and similar income	250,958.30	183,451.77
of which from affiliated companies	(82,278.73)	(38,864.49)
Write-down of long-term financial assets and marketable securities	-7,131.36	-11,654.25
Interest and similar expenses	-18,277.82	-4,881.36
Total	225,549.12	166,916.16

(16) Taxes

in Euro	2006	2005
Taxes on income	252,500.00	562,000.00
Other taxes	26,305.21	73,892.79
Total	278,805.21	635,892.79

The taxes on income relate exclusively to the fiscal year 2006

Disclosure in accordance with §25 WpHG (Act concerning the Trade in Securities):

RWTÜV AG, Essen, has made a voluntary disclosure to us within the meaning of Sect. 21 (1) no. 1 WpHG, that CUBIS COM Holding GmbH, Essen, merged with RWTÜV AG, Essen, with effect of 15 September 2006 and that therefore, on 15 September 2006, it fell below the voting right thresholds of 75%, 50%, 25%, 10% and 5% in secunet Security Networks Aktiengesellschaft, Essen. The voting right share of CUBIS COM Holding GmbH now amounts to 0%. This corresponds to 0 votes.

RWTÜV AG, Essen, has further disclosed to us that on 15 September 2006 the threshold remained exceeded for RWTÜV AG, Essen, as before, at 75%, and that the voting right share of RWTÜV AG amounts to 76.38%. This corresponds to 4,964,958 votes. This share contains 3,250,001 voting rights (50.00%) which are attributable to RWTÜV AG, Essen, in accordance with § 22 (2) WpHG.

RWTÜV AG, Essen, has further disclosed to us that on 15 September 2006 the threshold remained exceeded for Aktaios Verwaltungs-GmbH, Bremen, as before, at 75%, and that the voting right share of Aktaios Verwaltungs-GmbH, Bremen, amounts to 76.38%. This corresponds to 4,964,958 votes. This share contains 3,250,001 voting rights (50.00%) which are attributable to Aktaios Verwaltungs-GmbH, Bremen, in accordance with § 22 (2) WpHG, and 1,714,957 voting rights (26.38%) which are attributable to Aktaios Verwaltungs-GmbH, Bremen, in accordance with § 22 (1), 1st sentence, WpHG.

RWTÜV AG, Essen, has further disclosed to us that on 15 September 2006 the threshold remained exceeded for RWTÜV e.V., Essen, as before, at 75%, and that the voting right share of RWTÜV e.V., Essen, amounts to 76.38%. This corresponds to 4,964,958 votes. This share contains 3,250,001 voting rights (50%) which are attributable to RWTÜV e.V., Essen, in accordance with § 22 (2) WpHG, and 1,714,957 voting rights (26.38%) which are attributable to RWTÜV e.V., Essen, in accordance with § 22 (1), 1st sentence, WpHG.

Other disclosures

Employees

The average number of persons employed during the year, including the three members of the executive board, was 211 (previous year: 193 including four members of the executive board).

Other financial obligations

The total amount of other financial obligations as at the balance sheet date was 5,002,840.74 Euro. These mainly consist of the nominal amount of the obligations arising from lease agreements for office space, of which 1,618,165.23 Euro is due within one year. None of the total obligations result from obligations to affiliated companies.

Contingencies

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

Relationships to affiliated companies

On account of the existence of a group relationship within the meaning of Sect. 290 HGB, secunet AG is included in the IFRS consolidated financial statements of Giesecke & Devrient GmbH, Munich, for the fiscal year 2006. Giesecke & Devrient GmbH files its consolidated financial statements with the operator of the electronic Federal Bulletin. secunet AG also prepares its own IFRS consolidated financial statements.

Auditor's fee

In 2006, the auditor of the consolidated financial statements PriceWaterhouseCoopers AG received an audit fee of kEuro 19 for the audit 2005. BDO Deutsche Warentreuhand AG received an audit fee in the amount of kEuro 40 for the audit of the financial statements 2006.

In 2006, kEuro 34 was paid to PriceWaterhouseCoopers AG and kEuro 2 to BDO Deutsche Warentreuhand AG for tax consultancy services. A further kEuro 15 was paid to BDO Deutsche Warentreuhand AG for other consultancy services.

Other information

The total emoluments of the executive board in the fiscal year 2006 amounted to kEuro 1,222. This amount is comprised of kEuro 452.6 fixed salaries and kEuro 744 variable components, as well as kEuro 25.6 from share options.

A total of 11,000 secunet AG shares were held by members of the executive board as at 31 December 2006. No options are held any longer by the members of the executive board within the framework of share option programs. In the current fiscal year, 5,000 share options were drawn and sold by Mr. Pleines.

The emoluments of the supervisory board amounted to kEuro 32 in the reporting period.

No members of the supervisory board held any shares in the company as of the balance sheet date.

The declaration required under Sect. 161 AktG has been given for secunet AG and made available to the shareholders on the Internet.

Organs of the company

Executive board

Dr rer. nat. Rainer Baumgart

executive board chairman
(secunet AG shareholding: 11,000 shares;
share options: none)

Dr rer. nat. Steffen D. Frischat

(up to 30 June 2006),
(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: none)

Supervisory board

Dr Karsten Ottenberg

Munich
Chairman
Chairman of the executive management of
Giesecke & Devrient GmbH, Munich

No further memberships in supervisory boards/
controlling bodies

Dr.-Ing. Wilhelm Wick

Essen
Deputy Chairman
Chairman of the board of management of
RWTÜV AG, Essen
Deputy chairman of the executive board
of RWTÜV e.V., Essen

Other memberships in supervisory boards/
controlling bodies:
Cetecom GmbH, Essen
TÜV NORD AG, Hanover
TÜV Thüringen e.V., Erfurt
VAI Van Ameyde International B.V., Rijswijk/Netherlands
RWTÜV Systems GmbH, Essen (until 29 May 2006)

Dipl.-Kaufmann Peter Eisenbacher

Member of the executive management of Eisenbacher
Management Consulting GmbH,
Holzgerlingen
Member of the executive board of EMDS AG, Stuttgart

Other memberships in supervisory boards/
controlling bodies:

E-Kart Elektronik Kart Sistemleri, Izmit/Turkey
(until 4 November 2006)

Dipl.-Ingenieur Franz Markus Haniel

München

Other memberships in supervisory boards/
controlling bodies:

Franz Haniel & Cie. GmbH, Duisburg,
Delton AG, Bad Homburg (since 29 April 2006),
Heraeus Holding GmbH, Hanau (since 10 June 2006),
BMW AG, Munich,
n.v. Giesecke & Devrient s.a., Zaventem/Belgium
Huangshi G&D WanDa Security Card Co. Ltd.,
Huangshi/China (until 31 October 2006)
Beijing Giesecke & Devrient Card Systems Co. Ltd.,
Peking/China (until 30 September 2006)
Giesecke & Devrient Kabushiki Kaisha, Tokio/Japan
(until 30 November 2006)
Giesecke & Devrient India Pvt. Ltd., Gurgaon/India
(until 30 June 2006)
Giesecke & Devrient GB Ltd., Wembley, Middlesex/
Great Britain (until 30 September 2006)
GyD Iberica S.A., Barcelona/Spain (until 30 June 2006)
Giesecke & Devrient Brasil Limitada, Sao Paulo/Brazil
(until 30 June 2006)
000Kompaniya Smart Karty, Zelenograd/Russia
(until 11 October 2006)

Dr rer. pol. Elmar Legge

Schermebeck

Member of the executive board of RWTÜV e.V., Essen and

Member of the executive board of TÜV NORD AG, Hanover

Member of the executive board of GREIF-Stiftung,

Mülheim a.d. Ruhr

Other memberships in supervisory boards/
controlling bodies:

AHV WAG, Essen

Cetecom GmbH, Essen

TÜV NORD Mobilität GmbH & Co. KG, Hanover

TÜV NORD Systems GmbH & Co. KG, Hamburg

(as from 1 January 2006)

TÜV Thüringen e.V., Erfurt

VAI Van Ameyde International B.V., Rijswijk/Niederlande

RWTÜV AG, Essen (until 31 March 2006)

RWTÜV Systems GmbH, Essen (until 30 June 2006)

Dr oec. Peter Zattler

Grünwald

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

GyD Iberica S.A., Barcelona/Spain

n.v. Giesecke & Devrient s.a., Zaventem/Belgium

Hans-Wolfgang Kunz

Munich (since 31 May 2006)

Member of the executive management of Giesecke &

Devrient GmbH, Munich

Essen, dated 12 March 2007

Other memberships in supervisory boards/
controlling bodies:

Giesecke & Devrient America, Inc., Dulles/USA

Giesecke & Devrient Cardtech, Inc., Twinsburg/USA

Giesecke & Devrient de México S.A. de C.V., Tlalnepatla
de Baz/Mexico

Giesecke & Devrient India Pvt. Ltd., Gurgaon/India

Giesecke & Devrient GB Ltd., Wembley, London/
Great Britain

Giesecke & Devrient Maroc, Casablanca/Marocco

GyD Ibérica S.A., Barcelona/Spain

Giesecke & Devrient (Southern Africa) (Pty) Ltd.,

Johannesburg/South Africa

Giesecke & Devrient Brasil Limitada, Sao Paulo/Brazil

Giesecke & Devrient International Finance S.A.,

Luxembourg

Giesecke & Devrient Systems Canada, Inc.,

Markham/Canada

Shareholdings**secunet SwissIT AG**

Switzerland, Solothurn,

100% holding

company equity CHF 260 thousand

Result for the year 2006 CHF 157 thousand

secunet s.r.o.

Czech Republic, Prague,

100% holding

company equity CZK -5,115 thousand

Result for the year 2006 CZK 315 thousand

Secunet Inc.

USA, Austin, Texas

100% holding (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 report on the status of the company and the group – for the fiscal year from 01 January 2006 to 31 December 2006. In accordance with German commercial law and the supplementary articles of association, the bookkeeping and the preparation of the financial statements and the report on the status of the company and the group are the responsibility of the company's management. Our task is to form an opinion on the financial statements including the bookkeeping and the report on the status of the company and the group 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 report on the status of the company and the group 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 report on the status of the company and the group. 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 report on the status of the company and the group 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, 12 March 2007

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rittmann
Auditor

ppa. Fritz
Auditor

Glossary

A AktG

Aktiengesetz – Stock Corporations Act

Asymmetric and symmetric encryption

In the case of symmetric cryptographic algorithms, senders and receivers of messages use the same key. In the case of asymmetric encryption, senders and receivers use a pair of keys (a public and a private key). The message is encrypted with the receiver's public key and decrypted with his private key. This key system is managed, inter alia, in the context of a PKI.

Authentication

Authentication is a process that verifies the identity of persons or computer systems using distinguishing traits.

Authenticity

Authenticity of electronic data is proven via their integrity (cp. Integrity below) and the unequivocal linking of the data to their author, originator and/or sender.

AWG

Außenwirtschaftsgesetz – Foreign Trade and Payments Act

B Biometrics

Biometrics generally involves the measuring of physical traits. The physical traits used for authenticating persons include, for example, finger prints, face and iris.

C Certificate

Certificates are confirmed by trust centers and act as the link between a public key and the person (or company) to whom the key has been allocated.

Chip card

Chip cards are usually made from plastic and contain one or several semi-conductor chips. A distinction is made between storage cards, which merely store data, and micro-processor cards that also process data (smart cards).

Common criteria (CC)

The Common Criteria Scheme for Information Technology Security Evaluation is an international standard (ISO 15408) for the evaluation and certification of computer system security.

E Electronic signature

Electronic signatures consist of electronic data and serve as a method of authentication. So-called qualified electronic signatures represent a very secure form of digital signatures which are on a par with real signatures.

F Firewall

Firewalls are soft- and/or hardware solutions that protect computers and entire networks from outside intrusions (e.g. the Internet). They can also control access restrictions to Internet contents or services. All data that are received from/sent via the Internet pass the firewall.

H HGB

Handelsgesetzbuch – German Commercial Code

I Integrity

Proof of integrity is given when electronic data are complete and un-tampered with.

P Public key infrastructure (PKI)

A PKI is a technological and organizational infrastructure that allows the rolling out and managing of cryptographic keys (public and private keys).

T Trust centers

Trust centers are organizations that allocate and manage certificates/keys.

V Virtual private network (VPN)

Cryptographic mechanisms and public transport networks (e.g. Internet) are used to create a virtual private network. Communication within VPNs is as secure as within local area networks.

Virtualization

Virtualization is the process whereby several virtual computers are simulated on one hardware/ computer unit.

W WpHG

Wertpapierhandelsgesetz – Act concerning the Trade in Securities

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Financial Calendar 2006/2007

2007

29 March DFVA analysts' conference
Annual report 2006

3 May 3-months results 2007

24 May Annual General Meeting

2 August 6-months results 2007

9 November 9-months results 2007

2008

February/March Preliminary annual results 2008

March/April Press conference on annual results
DVFA analysts' conference
Annual report 2008

May 3-months results 2008

May/June Annual General Meeting

August 6-months results 2008

November 9-months results 2008

Multi-Year Overview

in mill. Euro	2006	Q4-2006	Q3-2006	Q2-2006	Q1-2006	2005	2004	2003	2002	2001
P&L										
Sales	36.49	11.78	9.54	8.45	6.73	40.8	32.4	21.1	23.1	22.4
Cost of material	11.19	4.12	3.13	2.30	1.64	12.6	8.9	5.2	4.4	3.4
Personnel expenses	16.56	4.45	3.82	4.27	4.02	17.6	15.7	11.5	12.7	15.1
Depreciation	0.85	0.26	0.17	0.22	0.20	0.9	0.9	0.9	0.9	1.8
Other operating expenses	7.25	2.06	1.97	1.48	1.73	7.3	7.1	5.4	5.4	8.1
EBIT	2.17	1.35	0.52	0.41	-0.11	4.5	0.5	-1.2	0.2	-5.7
EBITDA	3.02	1.63	0.69	0.61	0.09	5.4	1.5	-0.4	1.1	-3.9
EBT	2.37	2.02	0.62	0.43	-0.70	4.6	0.6	-1.1	0.4	-5.3
Net profit/loss for the period	2.18	1.55	0.40	0.26	-0.03	4.3	0.4	-4.5	0.3	-4.8
Earnings per share for the period (in Euro) ¹⁾	0.33	0.23	0.06	0.04	0.00	0.66	0.07	-0.69	0.04	-0.73
Balance sheet ²⁾										
Balance sheet total	28.3	28.3	25.8	23.6	24.5	28.1	24.4	17.6	24.0	22.6
Equity capital	19.0	19.0	17.5	17.1	16.8	16.8	12.5	12.0	16.5	16.5
Equity ratio	67%	67%	68%	73%	69%	60%	51%	68%	69%	73%
Liquid funds	8.4	8.4	4.5	4.1	8.6	12.8	8.8	8.9	11.0	7.9
Liabilities	9.3	9.3	8.3	6.5	7.7	11.3	12.0	5.6	7.5	6.4
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of staff ²⁾	228	228	220	220	218	216	208	173	181	204
Order volume ²⁾	14.5	14.5	17.4	15.3	17.1	14.2	11.1	6.1	6.5	5.5

¹⁾ diluted

²⁾ as of the end of the year/quarter

Information/Imprint

Annual report on the Internet

The secunet Security Networks AG annual report can be viewed as a PDF file in the Internet at www.secunet.com.

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Imprint

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IR-One AG & Co. KG, Hamburg
www.ir-1.com

Text

secunet Security Networks AG

Printed by

Hartung Druck + Medien GmbH, Hamburg

Photos

Photograph of the chairman: Uwe Hüttner, Hamburg
Cover and pages 10/11: Corbis (Glen Canyon Dam, Arizona, USA)
Pages 16/17: Corbis (Kylesku, Scotland, Great Britain)
Pages 26/27, 48/49: Getty Images

Photograph information

secunet Security Networks AG

This Annual Report is also available in German.
In the event of conflicts the German language version shall prevail.

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