

# 3-Month-Report 2009

**secunet**

- Continued growth in revenue: up 16% on the previous year
- Revenue mix impacts negatively on the quarterly results
- Volume of orders remains very high

Q1

## Overview of the key figures for the first three months

	Q1 2009	Q1 2008	Change in %
Revenue (kEuro)	12,006	10,384	+16
EBIT (kEuro)	-162	372	-
EBT (kEuro)	-247	599	-
Profit/loss for the period (kEuro)	-153	410	-
Earnings per share for the period (Euro)	-0.02	0.06	-
Cash flow from operating activities (kEuro)	-6,139	-3,223	-
Capital expenditure (kEuro)	210	188	+12
Orders on hand (mEuro)	30.3	19.2	+58
Employees (as at 31 March)	267	247	+8

  

	31 Mar 2009	31 Dec 2008	Change in %
Cash and cash equivalents (kEuro)	9,565	15,893	-40
Equity (kEuro)	23,327	23,474	-1
Equity ratio (in %)	69%	60%	+9%-points
Loans (kEuro)	0.0	0.0	-

## Secunet share data

Reuters	YSNG.DE	
Bloomberg	YSN	
WKN	727650	
ISIN	DE0007276503	

  

	31 Mar 2009	31 Mar 2008
Price (Euro)	3.60	4.34
Number of shares	6,500,000	6,500,000
Market capitalisation (Euro)	23,400,000	28,210,000
52W high/low (Euro)	H: 5.71/T: 3.10	H: 5.15/T: 3.60

  

	Q1 2009	Q1 2008
Average daily XETRA trading volume	1,844	6,704

# Interim management report for the first quarter of 2009

## REVENUE PERFORMANCE

In the first quarter of 2009, the revenue of the secunet Group was up 16% or Euro 1.6m on the previous year, rising from Euro 10.4m to Euro 12.0m.

The first quarter of the year is usually the weakest period for secunet in terms of revenue and earnings. This seasonal aspect to our business has to do with the high proportion of public sector customers, who traditionally process their purchases in a yearly cycle. Ordering takes place in the first half of the year, delivery and billing in the third quarter, and payments fall due in the fourth quarter. It is therefore encouraging that secunet has managed to increase Q1 revenue significantly for the third year in succession.

The first three months of 2009 saw the secunet Group generate a good proportion of its revenue with hardware-intensive projects. The hardware business is making a positive contribution to earnings. At the same time, licence revenue and its contribution to earnings fell in the period from January to March 2009 compared with the previous year. This change in the revenue mix is having a considerable impact on the results of operations.

## RESULTS OF OPERATIONS

In comparison with the same period in the previous year, the secunet Group's expenses rose in the period from January to March 2009 by a total of 18%, from Euro 10.5m to Euro 12.4m.

The cost of purchased materials and services in the first quarter of 2009 was up on the previous year by 33% or Euro 1.2m to Euro 4.7m. This was due to the change in the secunet Group's revenue mix compared with the first quarter of 2008. The rise in product revenue means that more hardware components have to be procured, leading to higher costs for purchased materials.

Staff costs rose by 14% compared with the period from January to March 2008, up from Euro 4.5m to Euro 5.1m. An 8% increase in headcount contributed to this rise. The increase in headcount reflects the continuing preparations for infrastructure projects and the ongoing research and development work. Other factors were general salary increases and the creation of provisions on the reporting date.

Depreciation and amortisation was practically unchanged at kEuro 192 compared with kEuro 196 for the period from January to March 2008. This item mainly includes office equipment costs.

Other operating expenses ran to around Euro 2.4m in the first quarter of 2009, up 3.8% or kEuro 90 on the previous year. This rise corresponds to the increase in the number of employees in the secunet Group.

Owing in particular to the sharp increase in material costs, EBIT fell by kEuro 534 or 144% from kEuro 372 a year earlier to kEuro -162 for the period from January to March 2009.

Fluctuations in exchange rates led to pro-forma currency translation losses of kEuro -126 in the first quarter (previous year: kEuro 142). As a consequence, the financial result deteriorated from kEuro 227 to kEuro -85. After taxes, a loss of kEuro -154 was recorded for the first quarter period (previous year: profit of kEuro 410). Earnings per share for the period from January to March fell from Euro 0.06 in 2008 to Euro -0.02 in the current year.

## SEGMENT REPORTING

secunet in Germany is divided into two business divisions, which focus their activities on specific target groups. The Public Sector division caters for authorities and other public sector consumers as well as international organisations. This division generated 77% of the revenue of the secunet Group in the first quarter of 2009, a contribution more or less in line with the previous year's (80%).

Of the total group revenue, 23% (previous year: 20%) was generated in the Private Sector business division, which addresses the IT security needs of companies in private industry. This division comprises the Business Security business unit (22% of group revenue in Q1 2009) and the Automotive business unit (1% share in group revenue). The Business Security business unit posted revenue of Euro 2.6m for the period from January to March, which is a 34% increase on the previous year. There is currently no evidence to suggest that the financial and economic crisis is having a direct impact on this business unit, but the outlook for the entire financial year remains unclear.

The Business Security business unit's contribution to group EBIT was slightly negative at kEuro -16. The prior-year figure was kEuro 335; the main reasons for the change were a rise in staff costs due to the expansion of sales capacities in the last financial year and an increase in the cost of purchased materials and services.

The Public Sector division incorporates the Government and High Security business units. Broadly speaking, the Government business unit addresses the IT security issues that arise in all e-government applications. In this particular business unit, revenue in the first quarter of 2009 was a substantial 61% higher than in the previous year. One reason for this is the healthy order situation, which is due in part to the major infrastructure project acquired last year. The Government business unit made a positive contribution of kEuro 626 (previous year: kEuro 350) to group EBIT.

The High Security business unit supplies authorities, the armed forces and international organisations with the Secure Inter-Network Architecture, SINA. The High Security business unit's contribution to group revenue was Euro 4.8m in absolute terms, or 40%. Owing to the very seasonal nature of the business with government bodies, as already described, revenue from SINA products and services was down on the first quarter of 2008 by 12% or Euro 1.3m. However, this is only a temporary effect. Staff costs rose in this business unit, while the cost of purchased materials and services fell due to the drop in revenue. The High Security business unit's contribution to EBIT was therefore kEuro -433 in the first quarter of 2009 after kEuro 254 in same period of the previous year.

"Other segments" made a negative contribution of kEuro 383 to group EBIT, with general and administrative expenses having an impact here.

## ASSETS AND FINANCIAL POSITION

The main change in the balance sheet for secunet Security Networks AG in the first quarter of 2009 was in cash and cash equivalents. As at the reporting date of 31 March 2009, these were down Euro 6.3m compared with the reporting date of 31 December 2008. There are two reasons for this change: firstly, the variable components of salaries were paid out, and this is reflected in, among other things, a reduction of Euro 1.2m in other provisions. In addition, trade payables, which had built up in connection with the high material deliveries for projects in the fourth quarter of 2008, were reduced by Euro 5.3m.

There were no significant changes in the other balance sheet items of secunet Security Networks AG.

secunet did not take out any loans, so the debt/equity ratio is 0%.

Cash flow from operating activities was Euro -6.1m in the period from January to March 2009, compared with Euro -3.2m a year earlier. The difference of Euro -2.9m compared with the same period in the previous year was due to the Euro -0.8m deterioration in EBT and, to a larger extent, to the change in payables and deferred income, which was down Euro -2.2m.

## CAPITAL EXPENDITURE

secunet's capital expenditure is mainly for the purchase and replacement of hardware, software and other business equipment. After kEuro 188 in the first quarter of 2008, around kEuro 210 was spent in the same period in 2009.

## EMPLOYEES

As at 31 March 2009, the number of secunet Group employees was 267. Compared with the same reporting date in the previous year, this represents an increase in headcount of 20 people or 8%. The positions filled were mainly in the advisory and development areas.

## OUTLOOK

IT security remains a growth market. As a specialist supplier with in-depth knowledge, extensive experience and innovative cutting-edge products, secunet is very well positioned here. At the end of the reporting period for the first three months of 2009, secunet had orders on hand amounting to Euro 30.3m, which is 58% more than on 31 March 2008 (Euro 19.2m).

To date, the financial and economic crisis has not hit the market for high-quality IT security as hard as other areas. However, visibility in this regard is very low and volatility on the markets remains very high. Consequently, the company's Management Board will continue to refrain from making any specific forecasts for the 2009 financial year.

### Forward-looking statements

This 3-Month-Report contains statements regarding the future performance of secunet Security Networks AG and economic and political developments. These statements are opinions that we have formed based on the information currently available to us. If the underlying assumptions are not met or other risks arise, actual results may differ from our expectations. We cannot therefore offer any guarantee as to the accuracy of these statements.

## Summary interim report for the first quarter of 2009

### Consolidated Balance Sheet of secunet Security Networks AG (IFRS)

<b>Assets</b> in Euro	<b>31 Mar 2009</b>	31 Dec 2008
<b>Current assets</b>		
Cash and cash equivalents	9,565,230.14	15,893,029.65
Trade receivables	14,740,215.17	14,181,198.53
Intercompany receivables	712,483.53	855,746.86
Inventories	1,250,429.87	1,482,968.70
Other current assets	477,215.92	90,956.16
Current tax assets	77,612.00	103,552.43
<b>Total current assets</b>	<b>26,823,186.63</b>	<b>32,607,452.33</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,373,241.42	1,330,371.97
Intangible assets	179,981.76	205,288.42
Goodwill	2,950,000.00	2,950,000.00
Non-current financial instruments	825,028.80	798,777.32
Deferred tax assets	1,579,191.00	1,494,500.47
<b>Total non-current assets</b>	<b>6,907,442.98</b>	<b>6,778,938.18</b>
<b>Total assets</b>	<b>33,730,629.61</b>	<b>39,386,390.51</b>
<b>Liabilities</b> in Euro	<b>31 Mar 2009</b>	31 Dec 2008
<b>Current liabilities</b>		
Trade payables	3,964,360.07	9,226,774.26
Intercompany payables	0.00	73,244.50
Other provisions	1,954,678.05	3,127,891.73
Current tax liabilities	215,957.00	215,957.00
Other current liabilities	1,752,040.19	1,189,513.58
Deferred income	1,177,242.30	769,585.37
<b>Total current liabilities</b>	<b>9,064,277.61</b>	<b>14,602,966.44</b>
<b>Non-current liabilities</b>		
Deferred tax assets	15,086.95	24,025.18
Provisions for pensions	1,324,585.50	1,285,733.00
<b>Total non-current liabilities</b>	<b>1,339,672.45</b>	<b>1,309,758.18</b>
<b>Equity</b>		
Share capital	6,500,000.00	6,500,000.00
Capital reserves	21,922,005.80	21,922,005.80
Treasury shares	-103,739.83	-103,739.83
Net accumulated losses	-4,979,796.92	-4,826,253.33
Accumulated other comprehensive income/loss	-11,789.50	-18,346.75
<b>Total equity</b>	<b>23,326,679.55</b>	<b>23,473,665.89</b>
<b>Total liabilities</b>	<b>33,730,629.61</b>	<b>39,386,390.51</b>

## Consolidated Income Statement of secunet Security Networks AG (IFRS)

in Euro	1 Jan – 31 Mar 2009	1 Jan – 31 Mar 2008
Revenue	12,006,073.59	10,384,209.65
Other operating income	264,655.45	533,816.36
Cost of purchased materials/services	-4,735,173.52	-3,552,564.28
Staff costs	-5,113,396.45	-4,494,079.20
Depreciation (and amortisation)	-192,267.01	-195,691.87
Other operating expenses	-2,392,172.77	-2,303,927.23
<b>Earnings before interest and tax</b>	<b>-162,280.71</b>	<b>371,763.43</b>
Interest income	42,992.50	95,194.13
Interest expense	-2,039.75	-10,236.12
Foreign currency gains/losses	-125,844.39	142,465.65
<b>Profit before tax (and minority interests)</b>	<b>-247,172.35</b>	<b>599,187.09</b>
Income taxes	93,628.76	-189,034.93
<b>Profit/loss for the period</b>	<b>-153,543.59</b>	<b>410,152.16</b>
Basic earnings per share	-0.02	0.06
Diluted earnings per share	-0.02	0.06
Average number of shares outstanding (undiluted)	6,469,502	6,468,062
Average number of shares outstanding (diluted)	6,469,502	6,468,062

## Statement of recognised income and expenses

in Euro	1 Jan – 31 Mar 2009	1 Jan – 31 Mar 2008
Loss/profit	-153,543.59	410,152.16
Currency translation differences (change not recognised in profit and loss)	-11,789.50	-32,532.25
<b>Total recognised income and expenses (comprehensive income/loss)</b>	<b>-165,333.09</b>	<b>377,619.91</b>

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

in Euro	Share capital	Capital reserves	Treasury shares	Net accumulated losses	Accumulated other comprehensive income/loss	<b>Total</b>
<b>Equity at 31 Dec 2007</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-6,555,663.17</b>	<b>-21,748.94</b>	<b>21,740,853.86</b>
Change in treasury shares			0.00			0.00
Comprehensive income/loss 1 Jan – 31 Mar 2008				410,152.16	-10,783.31	399,368.85
<b>Equity at 31 Mar 2008</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-6,145,511.01</b>	<b>-32,532.25</b>	<b>22,140,222.71</b>
Change in treasury shares			0.00			0.00
Comprehensive income/loss 1 Apr – 31 Dec 2008				1,319,257.68	14,185.50	1,333,443.18
<b>Equity at 31 Dec 2008</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-4,826,253.33</b>	<b>-18,346.75</b>	<b>23,473,665.89</b>
Change in treasury shares			0.00			0.00
Comprehensive income/loss 1 Jan – 31 Mar 2009				-153,543.59	6,557.25	-146,986.34
<b>Equity at 31 Mar 2009</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-4,979,796.92</b>	<b>-11,789.50</b>	<b>23,326,679.55</b>

## Consolidated Cash Flow Statement of secunet Security Networks AG (IFRS)

in Euro	<b>1 Jan – 31 Mar 2009</b>	1 Jan – 31 Mar 2008
<b>Cash flow from operating activities</b>		
Earnings before tax (EBT)	-247,172.35	599,187.09
Depreciation and amortisation	192,267.01	195,691.87
Change in provisions	-1,134,361.18	-1,384,184.84
Interest result	-40,952.75	-84,958.01
Change in receivables and other assets and prepaid expenses	-569,474.24	-401,066.37
Change in payables and deferred income	-4,365,475.15	-2,117,602.94
Tax paid	25,940.43	-29,571.00
<b>Net cash generated from operating activities</b>	<b>-6,139,228.23</b>	<b>-3,222,504.20</b>
<b>Cash flow from investing activities</b>		
Purchases of intangible assets and of property, plant and equipment	-209,829.80	-188,087.61
Purchases of financial assets	-26,251.48	-19,807.80
<b>Net cash generated from investing activities</b>	<b>-236,081.28</b>	<b>-207,895.41</b>
<b>Cash flow from financing activities</b>		
Interest received	42,992.50	95,194.13
Interest paid	-2,039.75	-10,236.12
<b>Cash generated from financing activities</b>	<b>40,952.75</b>	<b>84,958.01</b>
Effects of exchange rate changes on cash and cash equivalents	6,557.25	-10,783.31
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-6,327,799.51</b>	<b>-3,356,224.91</b>
Cash and cash equivalents at the beginning of the period	15,893,029.65	10,908,588.36
<b>Cash and cash equivalents at the end of the period</b>	<b>9,565,230.14</b>	<b>7,552,363.45</b>

## Explanatory report

The interim report of secunet Security Networks AG dated 31 March 2008 was compiled in accordance with the International Accounting Standard (IAS) 34 "Interim Report".

### Accounting principles

The consolidation principles and currency translation method for the period from 1 January to 31 March 2009 were in accordance with those in the company's consolidated annual accounts for the 2008 financial year. The accounting and valuation methods were retained. The consolidated financial statements of secunet Security Networks AG as at 31 December 2008 were produced on the basis of § 315a of the German Commercial Code (HGB) and in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union.

The figures shown in the balance sheet, income statement, cash flow statement and statement of changes in equity correspond to the normal course of business at secunet and do not include any extraordinary items.

A tax rate of 31.4% applies to the calculation of income taxes for national companies. Calculation of tax payable on income for foreign companies is based on the relevant rates of tax for those countries.

The preparation of the interim report requires a series of assumptions and estimates on the part of the management. As a result, it may be that the figures reported in the interim report will deviate from the actual figures.

### Consolidated group

In addition to secunet Security Networks AG, all subsidiaries over which secunet has the power to govern the financial and operating policies are included in the consolidated financial statements. In the reporting period and in the 2008 financial year, there were no minority interests in equity or in the profit or loss for the respective period.

Compared with 31 December 2008, the consolidated group was unchanged as at 31 March 2009.

### Treasury shares/subscription rights

As at 31 March 2009, the company held 30,498 treasury shares, the same figure as at 31 December 2008; this equates to 0.5 percent of its share capital.

### Segment reporting

The secunet Group is divided into the Public Sector division, made up of the High Security and Government business units, and the Private Sector division, made up of the Business Security and Automotive business units. The High Security, Government and Business Security business units are shown separately for the purposes of segment reporting, as they meet at least one of the quantitative thresholds defined in IFRS 8.13. The Automotive business unit does not meet any of the quantitative thresholds laid down in IFRS 8.13 and is therefore reported together with general and administrative areas under "Other segments".

The High Security business unit addresses the highly complex security requirements of authorities, the armed forces and international organisations. At the core of its product range is the Secure Inter-Network Architecture, SINA, developed in conjunction with the Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik, BSI).



The Government business unit supports authorities in Germany and abroad in all areas relating to e-government and IT security. These include biometric solutions and electronic ID (eID) documents, the electronic healthcare card (eHealth), security validation and secure web solutions. This business unit operates a BSI-accredited evaluation laboratory for IT conformity.

The staff of the Business Security business unit focus on security issues affecting industrial companies. Its product range includes identity management systems, qualified mass signature solutions, public key infrastructures and network security. In all areas, analyses, consulting and complete solutions are tailored to each customer's specific requirements.

The Automotive business unit deals with the IT security issues facing automotive manufacturers. With more and more vehicle functions now being computerised, it is becoming increasingly important for both automotive manufacturers and suppliers to ensure that built-in hardware and software components are protected against unauthorised changes.

<b>Segment report Q1 2009</b> in kEuro	Business Security	Government	High Security	Other Segments	Recon- ciliation	<b>secunet Q1 2009</b>
Segment revenue external	2,598	4,478	4,828	179	-76	12,006
Segment revenue internal	418	36	9	133	-596	0
Segment result (EBIT)	-16	626	-433	-383	44	-162
Goodwill	838	773	1,339	0	0	2,950
Segment assets	4,135	4,544	9,355	11,714	-625	29,123
Segment liabilities	3,547	2,311	5,498	2,582	-3,751	10,187
Capital expenditure	63	40	70	43	20	236
Depreciation and amortisation	-38	-14	-43	-146	49	-192
Significant expenses						
Staff costs	-1,221	-1,340	-1,325	-1,227	0	-5,113
Cost of purchased materials and services	-875	-1,153	-2,702	-170	165	-4,735
<b>Segment report Q1 2008</b> in kEuro	Business Security	Government	High Security	Other Segments	Recon- ciliation	<b>secunet Q1 2008</b>
Segment revenue external	1,944	2,781	5,457	371	-169	10,384
Segment revenue internal	6	0	17	42	-65	0
Segment result (EBIT)	335	350	254	-622	55	372
Goodwill	838	774	1,338	0	0	2,950
Segment assets	2,559	4,603	8,316	10,805	-144	26,140
Segment liabilities	1,876	3,596	2,718	3,234	-3,159	8,266
Capital expenditure	46	43	60	12	47	209
Depreciation and amortisation	-25	-12	-34	-174	49	-196
Significant expenses						
Staff costs	-976	-1,298	-1,115	-1,105	0	-4,494
Cost of purchased materials and services	-239	-268	-3,135	-107	196	-3,553

## Transactions with related persons and companies

The consolidated companies within the secunet Group have an association with their main shareholders, Giesecke & Devrient GmbH, Munich and RWTÜV AG, Essen, in the course of their normal business activities. All transactions are conducted in accordance with normal market practice.

In the first three months of 2009, no Management Board members were promised or granted any benefits by a third party in respect of their activity as members of the Management Board. In the first three months of 2009, the members of the Supervisory Board did not receive any other remuneration (over and above the Supervisory Board remuneration as regulated in the Articles of Association of secunet Security Networks AG) or benefits for services provided personally, in particular consulting and agency services. Neither the members of the Management Board nor the members of the Supervisory Board received any loans from the company.

## Events after the end of the interim period

There were no significant events after the reporting date.

Similarly, since the end of the 2008 financial year there has been no change in the principal opportunities and risks as described in the Annual Report for 2008.

## Financial Calendar 2009

<b>13 May</b>	3-Month-Report 2009
<b>27 May</b>	Annual General Meeting 2009
<b>12 August</b>	Half-year financial report 2009
<b>31 August – 2 September</b>	DVFA Small Cap Conference
<b>6 November</b>	9-Month-Report 2009
<b>9-11 November</b>	German Equity Forum
<b>8/9 December</b>	Munich Capital Market Conference

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### Concept and Design

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This 3-Month-Report is also available in German. In the event of conflicts the German-language-version shall prevail.