

- Revenue up by 7%: on target
- EBIT negative, but better than last year
- Forecast unchanged

# Q2

## Overview of the key figures for the first half of the year

	H1 2010	H1 2009 (amended*)	Change in %
Revenue (kEuro)	25,824	24,063	+7%
EBIT (kEuro)	-134	-531	+75%
EBT (kEuro)	-115	-391	+71%
Profit/loss for the period (kEuro)	-165	-495	+67%
Earnings per share for the period (Euro)	-0.03	-0.08	+67%
Cash flow from operating activities (kEuro)	-2,519	-7,601	+67%
Capital expenditure (kEuro)	-870	-516	+69%
Orders on hand (Euro m)	22.5	28.1	-20%
Employees (as at 30 June)	288	277	+4%

  

	30 June 2010	31.12.2009	Change in %
Cash and cash equivalents (kEuro)	11,298	14,669	-23%
Equity (kEuro)	22,988	23,210	-1%
Equity ratio (in %)	69.3%	53.3%	+16%-Punkte
Loans (kEuro)	0.0	0.0	-/-

## Overview of the key figures for the second quarter

	Q2 2010	Q2 2009 (amended*)	Change in %
Revenue (kEuro)	12,566	12,877	-2%
EBIT (kEuro)	-262	-315	+17%
EBT (kEuro)	-420	-89	-372%
Profit/loss for the period (kEuro)	-350	-288	-22%
Earnings per share for the period (Euro)	-0.05	-0.04	-22%

## secunet share data

Reuters	YSNG.DE	
Bloomberg	YSN	
WKN	727650	
ISIN	DE0007276503	

  

	30 June 2010	30 June 2009
Price (Euro)	11.10	4.45
Number of shares	6,500,000	6,500,000
Market capitalisation (Euro)	72,150,000	28,925,000
52W high/low (Euro)	H: 11.18/L: 4.20	H: 5.21/L: 3.10

  

	H1 2010	H1 2009
Average daily XETRA trading volume	2,908	2,901

\* adjusted following an impairment investigation at secunet s.r.o., Prague

# Interim Group Management Report for the first half of 2010

## **Preliminary note: last year's figures adjusted**

In its Interim Management Report for the first quarter of 2010 (published on 16 July 2010), secunet Security Networks AG reported a need for correction in relation to the Annual Financial Statements of its Czech subsidiary secunet s.r.o. in Prague as at 31 December 2009. This need for correction had been determined at the end of April 2010 and also meant that there was a need to recognise an impairment charge on the value of secunet Security Networks AG's receivables with secunet s.r.o.

The background to this adjustment was the discovery that the chairman of secunet s.r.o., who has since been dismissed, had been employing forged documents and records to systematically misrepresent and conceal the true asset and earnings position of secunet s.r.o. over a number of years. secunet Security Networks AG reacted to this discovery immediately and promptly relieved the chairman of secunet s.r.o. of all his duties. In addition, the Management Board commissioned the auditing company KPMG AG to conduct a thorough investigation into the events at secunet s.r.o.

At the same time secunet Security Networks AG revised its 2009 Annual Financial Statements and Consolidated Financial Statements, and the Combined

Management Report for the company and the group was updated accordingly in the interests of providing transparent, comprehensive and up-to-date information to all recipients of the Financial Statements.

The errors unearthed by the KPMG special investigation into secunet s.r.o., Prague, were duly corrected in the respective income statement items for the reference year 2009. It is no longer possible to comprehensively determine the corresponding distribution of the 2009 reference figures to the income statement items of the individual quarters. In accordance with IAS 8, Note 50, identified net banking differences have been shown under other operating income and the cost of materials has been purged of fictitious (erroneous) supplier invoices. Corrections for all other erroneous and fictitious events have been booked to other operating expenses.

As a result, the figures listed in the previous year's interim financial statements have been amended and are now included in this half-year financial report (listed as „amended“ figures). These figures for the previous year replace those reported in the Half-Year Financial Report 2009.

## REVENUE PERFORMANCE

The secunet group generated revenue of Euro 25.8m in the first half of 2010, an increase of 7% or Euro 1.8m compared with the previous year (Euro 24.1m).

The strong growth evidenced in the first quarter of 2010 (+19%) could not be maintained in the second, which saw a decline in year-on-year group revenue of 2.4% or Euro 0.3m. The decline in revenue in the second quarter and the slower growth relative to the first half of the year is attributable to lower capacity utilisation in the second quarter. These fluctuations in capacity utilisation and hence revenue over the course of a year are in the nature of the project business, which continues to be the main factor determining secunet's results. This applies in particular to the *Government* and *Business Security* business units, to whom the decline can be attributed.

## RESULTS OF OPERATIONS

The secunet group finished the first half of 2010 with earnings before interest and taxes (EBIT) of Euro 0.1m, compared with Euro 0.5m in the previous year. This is primarily due to the increase in other operating income, but also due to a moderate increase in expense items, which have risen by 7% from Euro 25.4m to Euro 27.1m, which is in line with the increase in revenue.

Other operating income increased year-on-year by 45%, from Euro 0.8m to Euro 1.1m.

The costs of materials and purchased services rose by only 1% in the first half of the year over the previous year, from Euro 9.5m to Euro 9.7m. The significant decline in momentum over the second quarter is a reflection of the fact that there was less need to order hardware or other materials to meet requirements.

Personnel expenses increased by 9% from Euro 10.5m in the first six months of 2009 to Euro 11.4m in the first half of 2010, which correlates directly to the increase in the workforce.

The largest relative increase was in depreciation and amortisation, up by 18%, although this represents an absolute increase of only kEuro 72. This was due to a larger inventory of capital goods and the acquisition of low-value assets that were written off in the same period.

Other operating expenses rose by 13% or kEuro 623, from Euro 5.0m in the first half of 2009 to Euro 5.6m in the first half of 2010. This increase was to a large degree the result of expenses resulting from the auditing and investigation into events at the Czech subsidiary secunet s.r.o.

The financial result for the first half of 2010 was down from kEuro 141 to kEuro 19 compared with the same period of 2009. This reflected both declining interest income and a strong fall in unrealised foreign currency gains.

For this reason, the profit before tax amounted to kEuro -391 in January-June 2009 and over the same period of the current year to kEuro -115. As a consequence of reduced taxation on the foreign subsidiaries, the tax burden fell in the first half of the year from kEuro 105 to kEuro 50. Half-year net income amounted to kEuro -165 this year, compared with kEuro -496 last year, as a result of which, earnings per share rose from Euro -0.08 to Euro -0.03.

## 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 85% of the revenue of the secunet group in the first half of 2010, up slightly on the previous year's contribution (81%).

Of the total group revenue, 15% (previous year: 19%) was generated in the *Private Sector* division, which addresses the IT security needs of companies in private industry. This division comprises the business units *Business Security* (13% of group revenue in H1 2010) and *Automotive* (2% of group revenue), which is reported under "Other segments". The *Business Security* business unit generated revenue of Euro 3.4m in the first half of 2010, compared with Euro 4.1m in the first six months of 2009. This represents a decline of Euro 0.7m or 18%. The main reason for the decline in revenue is a reduction in some IT budgets as a result of saving measures instituted by companies responding to the financial and economic crisis of the last two years. At the same time secunet is still not sufficiently well known as a supplier of high-quality IT security to the industrial sector, which means that significant marketing efforts will be required to correct this.

The *Business Security* business unit made a negative contribution to group EBIT: after a figure of kEuro -197 in H1 2009, EBIT in the first half of 2010 amounted to kEuro -569. This change is attributable to the decline in revenue coupled with only a slight drop in overall expenses within the business unit.

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. First-half revenue in this business unit fell by 8% from Euro 7.6m in 2009 to Euro 7.0m in 2010. This result continued to be influenced by corrections relating to the consolidated Czech subsidiary secunet s.r.o., whose revenue has largely been attributed to the *Government* business unit. There was also a slightly lower capacity utilisation in the second quarter, which should, however, be more than compensated for in the second half of the year. After a positive contribution to the group's EBIT in the amount of kEuro 565 in the previous year's H1, in the first half of 2010 the *Government* business group posted a loss of kEuro -286 to group EBIT. As in the *Business Security* business unit, the decline in EBIT can be attributed to lower revenue combined with a simultaneous rise in overall expenses.

The *High Security* business unit supplies authorities, the armed forces and international organisations with the *SINA* product line. The business unit's contribution to group revenue was 58%. Revenue in the *High Security* business unit rose by Euro 2.9m to Euro 14.9m, or 24% compared with the previous year. Follow-up orders resulting from major projects as well as a large number of individual procurements continued to have an impact here. The EBIT contribution of this business unit improved from kEuro -69 in H1 2009 to kEuro 976 in the first half of 2010.

"Other segments" made a negative contribution of kEuro 430 to group revenue, with general and administrative expenses having an impact here. This item also reflects the extraordinary expenditure for the work at secunet s.r.o., Prague.

## ASSETS AND FINANCIAL POSITION

Compared with the situation as at 31 December 2009, the balance sheet of secunet Security Networks showed a decline of around Euro 10.3m.

On the asset side, this change is due mainly to a decline in cash and cash equivalents, which had fallen by Euro 3.4m or 23% as at the reporting date of 30 June 2010 compared with the reporting date of 31 December 2009. At the same time, by the end of a very strong fourth quarter and as a result of invoicing, there was fall of Euro 7.8m in the high level of receivables.

This change is matched on the liabilities side in a decrease in other provisions of Euro 2.2m, mainly as a result of the payment of variable compensation components in the first quarter. At the same time, there was a sharp decline in trade payables (down Euro 6.5m) and other liabilities (down Euro 1.6m).

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

secunet has not taken out any loans and therefore reports a debt/equity ratio of 0%.

Cash flow from operating activities was Euro -2.5m in the period from January to June 2010, compared with Euro -7.6m a year earlier. The difference compared with the previous year can be explained by higher earnings (Euro +0.3m) and an increase in current assets (Euro +6.3m). This was offset by an increased utilisation of provisions (Euro -1.8 million).

## CAPITAL EXPENDITURE

secunet invests mainly in the purchase and replacement of hardware, software and other business equipment. Around kEuro 818 was spent in the first half of 2010, compared with kEuro 421 in the first half of 2009. This increase is linked to the rise in the number of employees and various projects to improve internal IT equipment.

## EMPLOYEES

As at 30 June 2010, the number of secunet Group employees was 288. This represents an increase in headcount of 11 people or 4% compared with the same reporting date in the previous year. The positions filled were mainly in the advisory, development and sales areas.

## OPPORTUNITIES AND RISKS

No significant change has occurred to the opportunities and risks described in the corrected and updated 2009 Annual Report since the end of the 2009 financial year.

## ORDER BOOK

As at 30 June 2010, secunet Security Networks' order book stood at Euro 22.5m. The volume of orders was down 20% compared with the same reporting date in the previous year (Euro 28.1m). Once again, this is due to the large projects currently in progress.

## OUTLOOK

The business performance of secunet Security Networks is in line with developments in the IT security market. Over the long term, growth is anticipated for this market. The key driver for secunet's Business Security business unit in 2010 is once again the willingness of companies to invest in IT security consulting and technologies, while the investment behaviour of public sector customers is the crucial factor for the Government and High Security business units. Whereas S/NA procurement in the High Security business unit is oriented more towards the long term, demand for IT security in the Government business unit is shaped both by the current debate surrounding savings and budget consolidation (which are detrimental to demand) and by major infrastructure projects (which stimulate demand). secunet Security Networks' short-term performance is also strongly influenced by the fact that its business is heavily project-based. Taking these aspects into account, the Management Board is maintaining its forecast for the current year: it expects ongoing stable revenue and no change in earnings before interest and tax compared with the previous year.

### Forward-looking statements

This half-year report contains statements regarding the future performance of secunet Security Networks 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 second quarter of 2010

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

<b>Assets</b> in Euro	<b>30 June 2010</b>	<b>31 Dec 2009</b>
<b>Current assets</b>		
Cash and cash equivalents	11,297,820.75	14,669,268.94
Trade receivables	12,600,607.72	20,421,737.09
Intercompany receivables	162,709.54	835,033.11
Inventories	1,862,366.13	1,099,332.02
Other current assets	687,470.27	229,611.56
Current tax assets	3,435.39	36,920.11
<b>Total current assets</b>	<b>26,614,409.80</b>	<b>37,291,902.83</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,692,975.83	1,467,290.48
Intangible assets	335,450.26	207,374.26
Goodwill	2,950,000.00	2,950,000.00
Non-current financial instruments	1,064,228.57	1,011,725.61
Deferred tax assets	528,354.80	581,141.30
<b>Total non-current assets</b>	<b>6,571,009.46</b>	<b>6,217,531.65</b>
<b>Total assets</b>	<b>33,185,419.26</b>	<b>43,509,434.48</b>

<b>Liabilities</b> in Euro	<b>30 June 2010</b>	<b>31 Dec 2009</b>
<b>Current liabilities</b>		
Trade payables	3,598,075.80	10,060,261.34
Other provisions	3,215,662.31	5,456,110.17
Current tax liabilities	167,800.00	167,800.00
Other current liabilities	414,006.94	2,047,484.11
Deferred income	1,188,729.96	1,041,401.68
<b>Total current liabilities</b>	<b>8,584,275.01</b>	<b>18,773,057.30</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	25,707.47	25,707.47
Provisions for pensions	1,587,363.30	1,500,760.36
<b>Total non-current liabilities</b>	<b>1,613,070.77</b>	<b>1,526,467.83</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
Group loss carryforward	-5,127,020.82	-7,536,158.03
Profit for the period	-164,581.03	2,409,137.21
Accumulated other comprehensive income/loss	-38,590.64	18,664.20
<b>Total equity</b>	<b>22,988,073.48</b>	<b>23,209,909.35</b>
<b>Total liabilities</b>	<b>33,185,419.26</b>	<b>43,509,434.48</b>

Consolidated Income Statement of secunet Security Networks (IFRS)  
(including the consolidated statement of recognised income and expenses)

in Euro	1 Apr– 30 June 2010	1 Apr– 30 June 2009 Amended	1 Jan– 30 June 2010	1 Jan– 30 June 2009 Amended
Revenue	12,566,475.75	12,877,427.88	25,824,319.65	24,063,531.62
Other operating income	247,521.05	-256,499.58	1,123,771.93	773,707.10
Cost of purchased materials and services	-4,074,058.90	-4,810,291.66	-9,654,704.03	-9,545,465.18
Personnel expenses	-5,645,184.45	-5,343,667.36	-11,366,428.35	-10,457,063.81
Depreciation and amortisation	-242,936.27	-200,300.43	-464,052.04	-392,567.44
Other operating expenses	-3,113,687.58	-2,581,329.02	-5,596,451.83	-4,973,501.79
<b>Operating profit</b>	<b>-261,870.40</b>	<b>-314,660.17</b>	<b>-133,544.67</b>	<b>-531,359.50</b>
Interest income	10,068.78	14,237.81	22,548.56	57,230.31
Interest expense	-2,548.93	-1,803.40	-3,405.69	-3,843.15
Foreign currency gains/losses	-165,947.59	213,231.79	-600.03	87,387.40
<b>Profit/loss before tax (and minority interests)</b>	<b>-420,298.14</b>	<b>-88,993.97</b>	<b>-115,001.83</b>	<b>-390,584.94</b>
Income taxes	70,343.52	-199,006.34	-49,579.20	-105,377.58
<b>Profit/loss</b>	<b>-349,954.62</b>	<b>-288,000.31</b>	<b>-164,581.03</b>	<b>-495,962.52</b>
Earnings per share (diluted and undiluted)	-0.05	-0.04	-0.03	-0.08
Average number of shares outstanding (undiluted, diluted)	6,469,502	6,469,502	6,469,502	6,469,502
<b>CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE</b>				
in Euro	1 Apr– 30 June 2010	1 Apr– 30 June 2009 Amended	1 Jan– 30 June 2010	1 Jan– 30 June 2009 Amended
Profit/loss for the period	-349,954.62	-288,000.31	-164,581.03	-495,962.52
Currency translation differences (change not recognised in profit and loss)	-11,485.31	74,839.13	-57,254.84	-108,165.40
<b>Total recognised income and expenses (comprehensive income/loss)</b>	<b>-361,439.93</b>	<b>-213,161.18</b>	<b>-221,835.87</b>	<b>-604,127.92</b>



## Consolidated Statement of Changes in Equity of secunet Security Networks (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 2008</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-7,536,158.03</b>	<b>47,838.86</b>	<b>20,829,946.80</b>
Comprehensive income/loss 1 Jan – 30 June 2009				-495,962.52	-108,165.40	-604,127.92
<b>Equity at 30 June 2009</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-8,032,120.55</b>	<b>-60,326.54</b>	<b>20,225,818.88</b>
Comprehensive income/loss 1 July – 31 Dec 2009				2,905,099.73	78,990.74	2,984,090.47
<b>Equity at 31 Dec 2009</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-5,127,020.82</b>	<b>18,664.20</b>	<b>23,209,909.35</b>
Comprehensive income/loss 1 Jan – 30 June 2010				-164,581.03	-57,254.84	-221,835.87
<b>Equity at 30 June 2010</b>	<b>6,500,000.00</b>	<b>21,922,005.80</b>	<b>-103,739.83</b>	<b>-5,291,601.85</b>	<b>-38,590.64</b>	<b>22,988,073.48</b>

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

in Euro	<b>1 Jan – 30 June 2010</b>	<b>1 Jan – 30 June 2009 Amended</b>
<b>Cash flow from operating activities</b>		
Earnings before tax (EBT)	-115,001.83	-390,584.94
Depreciation and amortisation	464,052.04	392,567.44
Change in provisions	-2,101,058.42	-279,557.89
Interest result	-19,142.87	-53,387.16
Change in receivables, other assets and prepaid expenses	7,420,101.19	-2,050,003.76
Change in payables and deferred income	-8,001,120.93	-4,919,140.60
Tax paid	-166,999.17	-300,871.66
<b>Net cash generated from operating activities</b>	<b>-2,519,169.99</b>	<b>-7,600,978.57</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets and of property, plant and equipment	-817,813.39	-420,555.39
Purchases of financial assets	-52,502.96	-95,781.96
<b>Net cash used in investing activities</b>	<b>-870,316.35</b>	<b>-516,337.35</b>
<b>Cash flow from financing activities</b>		
Interest received	22,548.56	57,230.31
Interest paid	-3,405.69	-3,843.15
<b>Cash generated from financing activities</b>	<b>19,142.87</b>	<b>53,387.16</b>
Effects of exchange rate changes on cash and cash equivalents	-1,104.72	1,200.28
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-3,371,448.19</b>	<b>-8,062,728.48</b>
Cash and cash equivalents at the beginning of the period	14,669,268.94	15,893,029.65
<b>Cash and cash equivalents at the end of the period</b>	<b>11,297,820.75</b>	<b>7,830,301.17</b>

## Explanatory report

The half-year financial report of secunet Security Networks dated 30 June 2010 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 30 June 2010 were in accordance with those in the company's Consolidated Financial Statements for the 2009 financial year. The accounting and valuation methods were retained. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2009 were produced on the basis of Sections 315 and 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 (with the exception of the events described in connection with the impairment made at secunet s.r.o.) 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 half-year financial 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.

### Impact on last year's figures of the adjustments at secunet s.r.o. Prague

secunet Security Networks discovered the need for adjustments to the 2009 quarterly financial statements of its Czech subsidiary secunet s.r.o., Prague.

The error corrections identified during the special investigation carried out by auditing company KPMG AG into secunet s.r.o., Prague have been fully allocated to the relevant income statement items for the comparable 2009 financial year. The corresponding allocation to the relevant income statement items in the individual quarters can no longer be fully determined for the comparative 2009 figures. In accordance with IAS 8, Note 50, identified net banking differences have been shown under other operating income and the cost of materials has been purged of fictitious (erroneous) supplier invoices. Corrections for all other erroneous and fictitious events have been booked to other operating expenses.

This is clarified in the following list

<b>BREAKDOWN OF OTHER OPERATING INCOME</b> in Euro	<b>1 Apr– 30 June 2010</b>	<b>1 Apr– 30 June 2009 Amended</b>	<b>1 Jan– 30 June 2010</b>	<b>1 Jan– 30 June 2009 Amended</b>
Recognition in the income statement	247,521.05	-256,499.58	1,123,771.93	773,707.10
of which the effects of secunet s.r.o.	0.00	-306,084.33	0.00	460,005.44

  

<b>BREAKDOWN OF MATERIALS COSTS</b> in Euro	<b>1 Apr– 30 June 2010</b>	<b>1 Apr– 30 June 2009 Amended</b>	<b>1 Jan– 30 June 2010</b>	<b>1 Jan– 30 June 2009 Amended</b>
Recognition in the income statement	-4,074,058.90	-4,810,291.66	-9,654,704.03	-9,545,465.18
of which the effects of secunet s.r.o.	-5,834.45	-87,101.09	-44,618.75	-786,165.56

<b>BREAKDOWN OF OTHER OPERATING EXPENSES</b> in Euro	<b>1 Apr– 30 June 2010</b>	<b>1 Apr– 30 June 2009 Amended</b>	<b>1 Jan– 30 June 2010</b>	<b>1 Jan– 30 June 2009 Amended</b>
Recognition in the income statement	-3,113,687.58	-2,581,329.02	-5,596,451.83	-4,973,501.79
of which the effects of secunet s.r.o.	-18,720.69	-299,894.01	-113,658.31	-397,234.73

As a result, the figures listed in the previous year's interim reports have been amended and are now included in this half-year financial report (listed as „amended“ figures). These figures for the previous year replace those reported in the Half-Year Financial Report 2009.

### 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 2009 financial year, there were no minority interests in equity or in the profit or loss for the respective period.

Compared with 31 December 2009, the consolidated group was unchanged as at 30 June 2010.

### Treasury shares / subscription rights

As at 30 June 2010, the company held 30,498 treasury shares, the same figure as at 31 December 2009; this equates to 0.5 per cent 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 Security* 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 Security* 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 segments were identified on the basis of the internal reporting structure of the company as set out by the management within the meaning of IFRS 8.5.

The *High Security* business unit addresses the highly complex security requirements of authorities, the armed forces and international organisations. At the core of its offering is the Secure Inter-Network Architecture, *S/INA*, 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, health services (eHealth), security validation and secure web solutions. This business unit operates a BSI-certified evaluation laboratory for IT conformity.

The staff of the *Business Security* business unit focus on security issues affecting industrial companies. Its product line includes security analyses and information security management, electronic signature and B2B integration, single sign-on and network security. In all areas, analyses, consulting and complete solutions are tailored to each customer's specific requirements.

The *Automotive Security* 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 H1 2010</b> in kEuro	Business Security	Government	High Security	Other segments	Recon- ciliation	<b>secunet H1 2010</b>
Segment revenue external	3,381	6,994	14,879	598	-26	25,824
Segment revenue internal	857	0	0	15	-872	0
Segment revenue (EBIT)	-569	-286	976	-430	175	-134
Goodwill	838	773	1,339	0	0	2,950
Depreciation and amortisation	-104	-36	-146	-276	98	-464
Significant expenses						
Personnel expenses	-2,697	-3,238	-2,992	-2,434	-5	-11,366
Cost of materials	-545	-1,542	-7,703	-67	202	-9,655

  

<b>Segment Report H1 2009</b> in kEuro	Business Security	Government	High Security	Other segments	Recon- ciliation	<b>secunet H1 2009</b>
Segment revenue external	4,131	7,602	11,982	421	-72	24,064
Segment revenue internal	793	80	91	229	-1,194	0
Segment revenue (EBIT)	-197	565	-69	-865	26	-540
Goodwill	838	773	1,339	0	0	2,950
Depreciation and amortisation	-77	-33	-93	-287	98	-393
Significant expenses						
Personnel expenses	-2,303	-2,726	-2,779	-2,649	0	-10,457
Cost of materials	-1,250	-1,826	-6,720	-47	297	-9,545

There were no significant changes to the segment assets as at the reporting date.

## Related party disclosures

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

No Management Board members were promised any benefits by a third party in respect of their activity as members of the Management Board in the first six months of 2010, nor granted any such benefits in the first three months of 2010. In the first six months of 2010, 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

We refer to our introductory remarks on the value adjustment requirement concerning secunet s.r.o. There were no other significant events after the reporting date.

## Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the rest of the financial year."

Essen, 12 August 2010

Dr Rainer Baumgart

Thomas Koelzer

Thomas Pleines

## Auditor's Report

### To secunet Security Networks AG

We have reviewed the condensed consolidated group interim report, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and selected explanatory notes, together with the interim group management report of secunet Security Networks AG, Essen, for the period from 1 January 2010 to 30 June 2010, which are the components of the half-year financial report pursuant to Section 37w of the German Securities Trading Act. The company's legal representatives are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the IFRS standards for interim reporting as applicable in the EU, and of the interim management report for the group in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the generally accepted standards for the review of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the review to obtain moderate assurance, through critical evaluation, that the condensed consolidated interim financial statements have been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as they apply in the EU and that the interim group management report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with the terms of our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

On the basis of our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as they apply in the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, 12 August 2010

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Auditors

Rittmann	Fritz
Auditor	Auditor

## Financial Calendar 2010

<b>13 August</b>	Half-Year Financial Report 2010
<b>25 August</b>	Annual General Meeting
<b>10 November</b>	9-Month Report 2010
<b>23 November</b>	German Equity Forum 2010

## Issued by

secunet Security Networks AG  
Kronprinzenstraße 30  
45128 Essen  
Germany

Phone: +49 (0) 201 5454 - 0  
Fax: +49 (0) 201 5454 - 123

E-mail: [info@secunet.com](mailto:info@secunet.com)  
Internet: [www.secunet.com](http://www.secunet.com)

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This Half-Year Financial Report is also available in German. In the event of conflicts the German-language-version shall prevail.