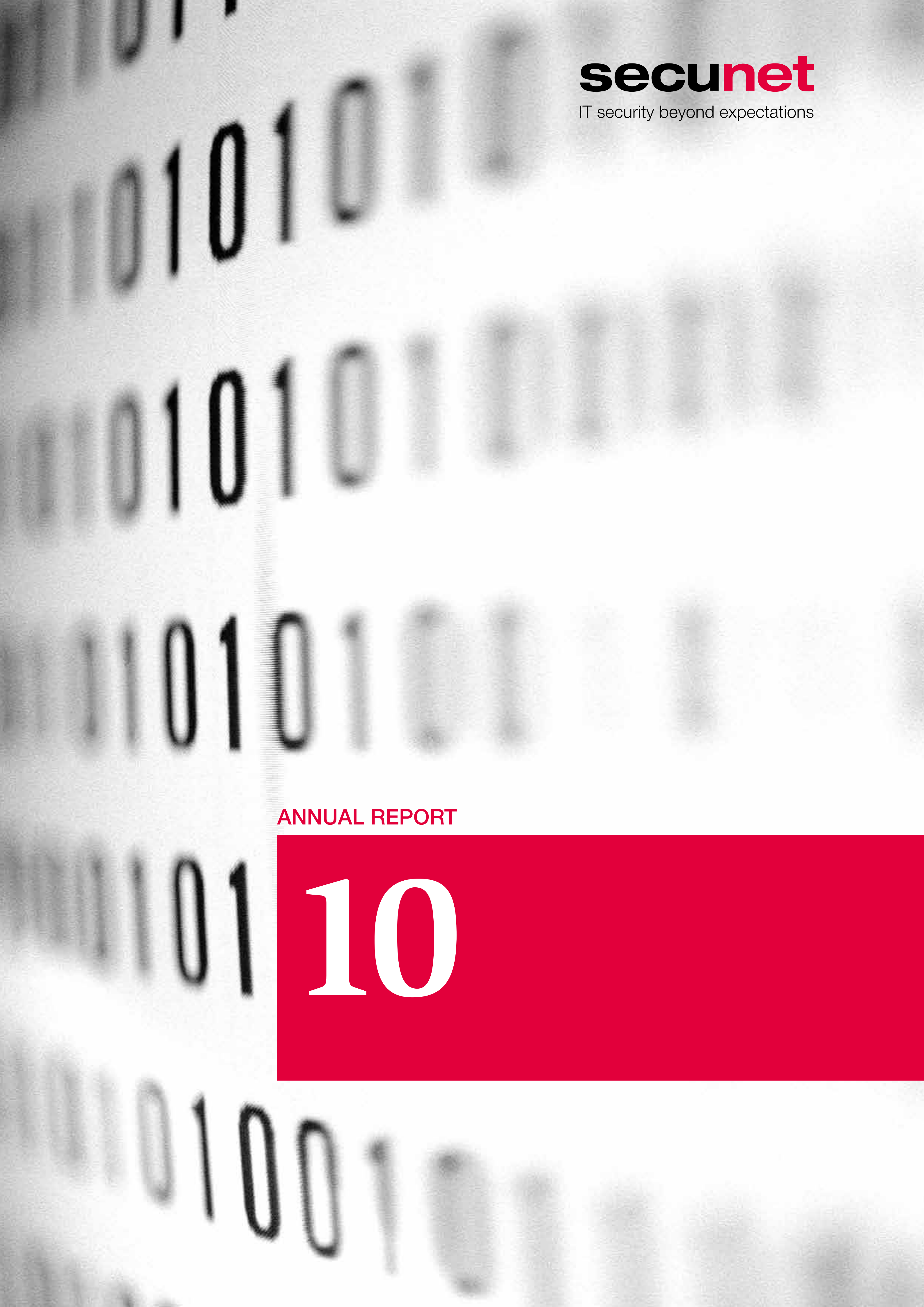


secunet

IT security beyond expectations

ANNUAL REPORT

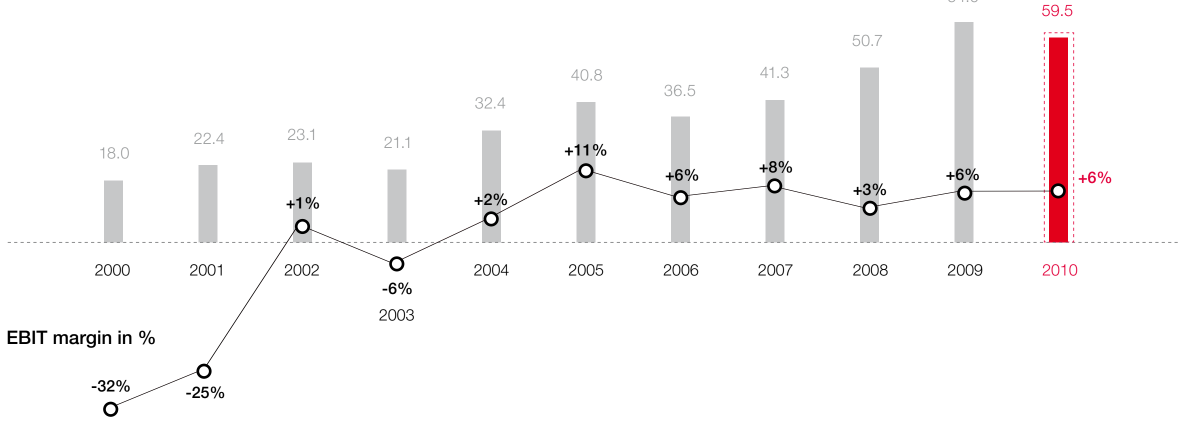
10

Key Figures

in Euro m	2010	2009	Change in %
Sales	59.5	64.0	-7
EBIT	3.6	3.9	-8
EBITDA	4.5	4.7	-9
EBT	3.7	3.9	-9
Net income	1.8	2.4	-25
Earnings per share	0.28	0.37	-25
Balance sheet total	42.2	43.5	-3
Equity	25.0	23.2	+8
Liquid assets	14.3	14.7	-2
Liabilities	9.8	13.3	-27
Loans	0.0	0.0	-/-
Cash flow from operating activities	0.9	-0.1	-/-
Investments	1.2	1.0	+28
Free cash flow	-0.3	-1.1	-/-
Orders on hand	26.2	30.3	-14
Employees as of 31 Dec	288	284	+1
Personel costs	23.4	22.2	+5

Long-term development – sales and EBIT margin

Sales in Euro m



Your specialist
for IT security

HIGH SECURITY
High Security for Maximum Demands

Our business unit High Security is focussed on the product line SINA – Secure Inter-Network Architecture. SINA enables secure processing, storage and transmission of classified documents as well as other sensitive data. SINA is the only IP-based crypto-system approved by the German Federal Office for Information Security BSI (Bundesamt für Sicherheit in der Informationstechnik) up to the highest national security level of TOP SECRET for processing and transmission of classified documents. Individual components of the product line are also approved for NATO SECRET and SECRET UE.

GOVERNMENT
Secure Electronic Processes for Public Administration

The objective of the e-government 2.0 programme is to reduce bureaucracy and modernise administration. Citizens and companies alike should be able to carry out business quickly and simply without having to compromise data protection and IT security. This aim is being realised in numerous projects at federal, state and municipal levels.

There is not a single application in the public sector which can function without appropriate security features. secunet's business unit Government focuses on IT security solutions which fulfil the special requirements of the federal public authorities as well as those of state and municipal public administrations with regard to IT security. These mainly include systems for securely identifying communication partners in e-government, creating legally binding electronic processes and achieving an appropriate level of protection for especially sensitive data.

BUSINESS SECURITY
IT Security Has Its Price, But Being on the Safe Side Is Invaluable

The capital of an economy is its know-how. This intellectual property must be protected in a reliable way since industrial espionage has become a major threat in the Internet age.

Our experts are specialised in high-quality IT security solutions for the private sector. Our industry know-how, our experience of more than ten years in IT security, our own products and our partnerships with renowned manufacturers ensure that our customers receive optimum solutions. Our developments are aligned with national and international standards, yet still meet your individual requirements and security needs.

AUTOMOTIVE SECURITY
Automotive Security – Business with Perspectives

The proportion of electronics in vehicles is growing steadily. This means that increasing numbers of vehicle functions are implemented by means of software. In view of these facts, it is becoming even more important to also protect these components of a control unit against unauthorised manipulation. Similarly, protection mechanisms that are integrated into operational processes are adopting a critical role. IT security minimises the risk of such components malfunctioning and consequently safety risk to both the driver and the vehicle.

secunet – IT security beyond expectations

secunet Security Networks AG is among the leading specialists for IT security in Germany and Europe. Our customers include companies, authorities and international organisations, whose entire business operations are based on information technology (IT) and data networks. There is a high level of risk. Data thieves, industrial spies, copycats, terrorist groups and even secret services are all out to gain unauthorised access to data and networks. This is why IT security has to be the number-one priority.

We provide innovative solutions to cope with the most demanding of challenges. We focus on complex projects, large infrastructures and high security. Our products are predominantly tailored to our customers' needs. With our comprehensive know-how, we set benchmarks for IT security in the market.

We see ourselves as a security partner for our customers, and in return for their trust we offer reliability and a sense of responsibility. We cultivate strategic, long-term partnerships as one of the cornerstones of our business success. In doing so, we offer a service partnership that goes beyond our customers' expectations.

Our strong market position is built on many years of experience and expertise. At the same time, our claim is always to stay one step ahead of the competition in terms of technology and quality. Thanks to the creativity and motivation of our employees, we are able to meet this challenge in the market on a lasting basis for the benefit of our customers.

The profitability of our business – that is, long-term, profitable growth – is the key to our durability. It reinforces the trust of our customers in secunet as a company, ensures long-term, challenging positions for our employees, and creates sustainable added value for our shareholders.

Content

Foreword of the chairman of the Executive Board

DEAR SHAREHOLDERS, CUSTOMERS, STAFF AND FRIENDS OF SECUNET,

The 2010 financial year was a challenging year for secunet. Given the conditions in which we operated, we are satisfied with our results. Nevertheless, there is clear potential for optimisation. The IT security market is increasingly presenting secunet with opportunities, and our aim over the next few years is to work intensively to tap into this potential.

In a challenging environment, we regard our business results as satisfactory

The secunet Group posted sales of Euro 59.5 million in 2010. This was Euro 4.5 million, or 7%, less than in the previous year. There were two factors responsible for this development. First, orders we had expected from the German army, one of our major clients, did not materialise, and, second, the projects awarded as a result of the German government's 2009 economic rescue package came to an end. To a large extent we were able to cushion the impact of the latter, in particular through the approval of a major licence in the fourth quarter of 2010. We have not yet been able, however, to make up for the impact of the restructuring measures within the German army.

Group earnings before interest and taxes (EBIT) fell by 7.7% from Euro 3.9 million in 2009 to Euro 3.6 million in 2010, in step with the developments in our sales.

The year 2010 was not just a challenge in terms of sales. Our work dealing with the fraud incident at our Czech subsidiary, secunet s.r.o. in Prague, tied up both management capacity and funds. At the same time, we began to fundamentally question our positioning abroad, ultimately coming to the conclusion that it is more efficient to manage our foreign sales from Germany using local partners. We will therefore be closing our subsidiaries in the Czech Republic and in Switzerland during 2011.

Against this backdrop, the Board of Management of secunet Security Networks AG is satisfied with the Company's results for 2010.

Looking to the near and medium-term future, we see a lot of potential for optimisation and many opportunities in our core German market

To return secunet to the long-term growth path to which it is accustomed, we have identified numerous areas for potential optimisation, and are looking to tap into them over the short to medium term.

On our core German market, we are looking to strengthen our sales and to give our products a sharper profile. We will be gearing this around the "familiar subjects" of high security and cryptography as well as new areas such as cyber security, de-mail, mobile security, automated border control, cloud computing, data loss prevention, smart grid, social media and much more.

left: Dr Rainer Baumgart,
above: Thomas Koelzer,
below: Thomas Pleines

These technological developments demand that public-sector clients make huge investments in IT security – an area in which secunet, in its capacity as an acknowledged provider of high-quality IT security solutions, will be able to position itself well both in terms of consulting services and new products. As the number of e-government applications rises, new critical infrastructures are being created, the protection of which requires the creation of innovative concepts and solutions.

We also expect to make clear advances in relation to our target group of private companies. Here too, IT security is increasingly becoming a necessary condition for long-term commercial success, and is recognised as a genuine challenge. This is another area in which we believe there to be good long-term growth opportunities for secunet.

The Automotive Security sector remains a particularly important market for the future. Through partnerships with automotive suppliers, our aim is to generate economies of scale and substantial sales growth. The first promising cooperation arrangements in this area are already in place.

secunet is also permanently working to add new technologies to its range of products. We then use these products to strengthen our position and to tap into new markets and customers.

Exports are key to our future growth

The Board of Management of secunet Security Networks AG has high expectations for growth in foreign business. With its SINA and secunet biomiddle products, secunet has already notched up good international successes. We except to generate further growth in future as a result of:

- Consistent cultivation of existing markets. This relates to EU member states in particular, and the national and international organisations based there. By means of more licences, good references and consistent sales activities, the aim is to generate impetus for growth.
- The tapping of new markets. secunet is already active in the countries of the Middle East, and has already recorded its first success stories there. The combination of our own international sales organisation with local partners has proved its worth. The plan is to capture further markets through cooperation with the national subsidiaries of our major shareholder Giesecke & Devrient. This will enable secunet to access existing structures without the need for any major investment up front. Initially, the target markets are North, Central and South America as well as the Far East, and we hope to focus further at a later time.

Many reasons to be optimistic about the future

The Board of Management of secunet Security Networks AG is optimistic about the future.

secunet occupies an excellent position on the IT security market:

- Our experienced employees are exceptionally well trained and highly motivated. Their expertise is our most important asset.
- We offer high-quality, state-of-the-art products.
- We have outstanding references from a variety of projects.
- We are an acknowledged expert and contact partner in issues relating to IT security. In our capacity as security partner to the Federal Republic of Germany, based on our close cooperation with the Federal Office for Information Security (BSI) and our major involvement in various different national and international committees, we play an active part in discussions on all current issues. This also includes the preparation of guidelines and standards.

Nevertheless, there is still some uncertainty as we plan our business for the future such as, for example, the possibility of unexpected delays triggered by structural changes.

We therefore regard 2011 as a year of consolidation at a high level. By 2012 at the latest secunet aims to be firmly back on its growth path.

Your sincerely

Dr Rainer Baumgart

Report of the Supervisory Board

DEAR SHAREHOLDERS,

During the financial year 2010, the Supervisory Board of secunet Security Networks AG performed in full and with great care the duties assigned to it by law and by the Company's Articles of Association. It regularly advised the Management Board on the management of the Company and supervised its conduct of business on an ongoing basis. The Supervisory Board was directly involved in all decisions that were of fundamental importance to the Company. It requested regular, prompt and comprehensive information from the Management Board, both in writing and verbally, on the business performance of secunet Security Networks AG and the consolidated group of companies, on relevant issues regarding the Company's strategic direction and on the status of the implementation of the strategy.

In the context of its supervisory and advisory function, the Supervisory Board dealt in detail with all measures that required that the Supervisory Board be informed or give its consent. In this way it provided the Management Board with advice and support in relation to implementation of the Company strategy and the related measures. Wherever this was required by law or by the Articles of Association, the Supervisory Board voted, after thorough examination and consultation, on the reports and proposed decisions of the Management Board.

The Chairman of the Supervisory Board was kept up to date by the Management Board on the current business situation and on any key business events. He also discussed the strategic direction of the Group, business performance and risk management in separate meetings held with the Management Board on a regular basis.

Supervision and examination methods

The Supervisory Board has mainly based its examination on

- the regular reports of the Management Board as provided for by law and the Management Board's rules of procedure,
- the separate reports submitted by the Management Board about specific events and
- the supplementary explanations provided by the Management Board and the auditors.

Each of the reports was submitted to all members of the Supervisory Board. Where the Management Board submitted business measures to the Supervisory Board for approval, the documentation submitted to the Supervisory Board was in each case accompanied by a presentation of the main points to be considered in taking a decision. In no case during financial year 2010 did the Supervisory Board see any occasion for individual members of the Supervisory Board or particular experts to inspect or examine the books or records of the Company. Within the context of its supervisory activity, the Supervisory Board availed itself of external support during the 2010 financial year.

Meetings of the Supervisory Board

Dr Karsten Ottenberg

There were five ordinary meetings of the Supervisory Board during the past financial year, on 17 March, 16 June, 14 July, 25 August and 8 December 2010. The Supervisory Board also held telephone meetings on 27 April and 6 May 2010. The Management Board ensured that the Supervisory Board was kept informed about projects and plans of particular importance to the Company in the periods between the meetings, by means of detailed written reports.

At all of the meetings, the Supervisory Board addressed the current business performance of secunet Security Networks AG. It also dealt with all relevant issues concerning business planning, investment planning, earnings and liquidity, the risk situation and risk management, as well as key organisational and personnel changes.

The agenda on 17 March 2010 focused on the Company's Annual Financial Statements and Consolidated Financial Statements for the 2009 financial year. In the presence of the auditors, the Supervisory Board examined in detail and approved the financial statement documents for the 2009 financial year. On this basis the 2009 Annual Report was subsequently published on 19 March 2010. During its meeting on 17 March 2010 the Supervisory Board also undertook a self-evaluation of its activities and looked at possible ways in which the efficiency of the latter could be improved (examination of efficiency).

Following the publication of the 2009 Annual Report on 19 March 2010, secunet Security Networks AG identified a need for correction in relation to the consolidated Annual Financial Statements of its Czech subsidiary, secunet s.r.o. in Prague. The Management Board immediately informed the Supervisory Board of this requirement. The measures that were necessary with immediate effect were the subject of intensive discussion at two extraordinary meetings of the Supervisory Board that were held via teleconferencing on 27 April and 6 May 2010 and attended by all members of the Management Board. During the subsequent period the Supervisory Board also held several telephone conferences and discussions with the members of the Management Board, in the course of which the latter provided up-to-date and full information on the progress made in investigating the events surrounding secunet s.r.o.

At its ordinary meeting on 16 June 2010, the Supervisory Board was briefed by KPMG AG Wirtschaftsprüfungsgesellschaft, the auditing firm commissioned with carrying out a special investigation into the situation at secunet s.r.o., on its findings. These findings were subsequently discussed. Following the Supervisory Board's discussion of the impact of the necessary corrections related to secunet s.r.o. with the Management Board, the auditors and the Company's legal advisors, the Supervisory Board and the Management Board decided to revise the Annual Financial Statements and Consolidated Financial Statements of secunet Security Networks AG for the 2009 financial year.

The financial statements review meeting of 14 July 2010 dealt in detail with the Annual Financial Statements, Consolidated Financial Statements and abbreviated Management Report for the Company and the Group for the 2009 financial year, as last corrected and updated, as well as with the Additional Auditors' Report (detailing the major elements of the supplementary audit), in the presence of the auditor. These were reviewed and approved by the Supervisory Board. The Supervisory Board also approved the Supervisory Board Report for the financial year 2009 and the proposed resolutions by the Supervisory Board for the Annual General Meeting on 25 August 2010.

At the Supervisory Board meeting on 25 August 2010, held following the Annual General Meeting, the Management Board briefed the Supervisory Board, focusing in particular on the current business situation and on the status of matters related to secunet s.r.o. The Supervisory Board also looked at the remuneration paid to the Management Board and adopted a new remuneration model for members of the Management Board. In addition to fixed salary and the short-term variable remuneration components, the new remuneration model provides for a variable remuneration component that is calculated using multi-year measurement criteria. This is meant to gear Management Board compensation even more strongly toward sustainable corporate development. Implementation of the new compensation model is planned to occur successively for pending contract extensions beginning in June 2011.

At its meeting on 8 December 2010 the Supervisory Board extended the term of office of Chairman of the Management Board Dr Rainer Baumgart and the member of the Management Board Thomas Pleines until 31 May 2016. During the same meeting the Supervisory Board looked at the annual planning for 2011 and medium-term corporate planning for the period from 2011 to 2013, as well as issues related to internal auditing and risk management. Developments at the two foreign subsidiaries of secunet Security Networks AG were also dealt with. Following in-depth consultation, the Supervisory Board agreed to the liquidation of the two foreign firms. Furthermore, at its meeting of 8 December 2010 the Supervisory Board adopted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG).

All members of the Supervisory Board were present at the meetings held on 17 March, 16 June, 14 July and 25 August 2010. One member was absent from the meeting on 8 December 2010.

Meetings of the Chairman's Committee of the Supervisory Board

The Supervisory Board of secunet Security Networks AG has a three-member Chairman's Committee. The members of this committee are Dr Karsten Ottenberg, Chairman of the Supervisory Board; Dr Wilhelm Wick, Deputy Chairman of the Supervisory Board; and Dr Peter Zattler, Member of the Supervisory Board. At its meeting on 25 August 2010, the Chairman's Committee discussed Management Board personnel matters. All members attended the meeting of the Chairman's Committee.

Corporate Governance

The Supervisory Board attaches particular importance to the German Corporate Governance Code and its implementation. In the reporting year, secunet Security Networks AG complied with the recommendations of the German Corporate Governance Code with few exceptions. On 8 December 2010, the Management Board and Supervisory Board submitted their declaration of conformity for financial year 2010 regarding the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Section 161 of the German Stock Corporation Act. The declaration of conformity has been made permanently available to shareholders on the Company's website and is also contained in the corporate governance report that forms part of this 2010 Annual Report.

Financial Statements and Consolidated Financial Statements for 2010

The financial statements prepared by the Management Board in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) and the Consolidated Financial Statements prepared under IFRS for financial year 2010, including the bookkeeping system, and the summarised management report for the Group and the Company were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Essen branch. The Supervisory Board awarded the audit mandate in accordance with the resolution passed by the Annual General Meeting on 25 August 2010. The auditors issued an unqualified opinion in each case.

The auditors also examined the report on relationships with affiliated companies prepared by the Management Board for financial year 2010 in accordance with Section 312 of the German Stock Corporation Act and relating to the existing majority shareholding by Giesecke & Devrient GmbH, Munich, and issued the following unqualified opinion:

“Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that 1. the factual information contained in this report is correct, 2. the consideration provided by the Company in respect of the legal transactions mentioned in the report was not inappropriately high.”

The financial statement documents, the report on relationships with affiliated companies and the auditors’ report were distributed to all members of the Supervisory Board without delay following their preparation. At the financial statements review meeting of 23 March 2011, the above financial statements and reports were comprehensively discussed and examined by the Supervisory Board in the presence of the auditors, who gave a report on the main findings of their audit.

Based on the results of its own examination, the Supervisory Board had no objections to the Financial Statements, the summarised Company and Group Management Report, the report on relationships with affiliated companies including the final statement of the Management Board contained herein, or the auditors’ report. The Supervisory Board therefore endorsed the findings of the audit and approved the financial statements of secunet Security Networks AG and the consolidated Group as at 31 December 2010 compiled by the Management Board; the financial statements of secunet Security Networks AG were thus adopted on 23 March 2011.

The Supervisory Board would like to thank all employees and the members of the Management Board for their successful work during the 2010 financial year.

Essen, 23 March 2011
The Supervisory Board

K. Ottenberg

Dr Karsten Ottenberg

The secunet share

2010 – ANOTHER GOOD YEAR FOR GERMAN SHARES

Following the recovery of 2009, the equity markets also put in a markedly positive performance in 2010. Having gained 24% during the previous year, Germany's key index DAX put on a further 16% over the course of the year under review. In an international comparison, therefore, German shares fared particularly well.

Analysts continue to be optimistic as they look to 2011. Market strategists firmly believe that German equities will continue to be the subject of keen investor interest. The vast majority of German companies are still undervalued and represent attractive purchases, frequently offering a strong market position and good growth prospects.

SECUNET SHARE CONTINUES GOOD PERFORMANCE

After doing well in 2009, the secunet share put in another sound performance in 2010. The share price rose by 57% from Euro 7.75 at the start of the year to Euro 12.15 at year-end. The Company's market value improved accordingly, from Euro 50.4 million to Euro 78.9 million, thereby once again outperforming the DAX. The development of the secunet share is equivalent to that of the tech stocks included in the Prime Technology All Share Index, which put on 59% over the same period.

SHAREHOLDER STRUCTURE STABLE

The Munich-based Giesecke & Devrient (G&D) GmbH has held a direct stake of 78.96% in secunet since 2009. A considerable share in secunet Security Networks AG is also held by Mr Günter Weispfenning, who has been a significant investor in the Company since mid-2010. As at the end of 2010, he held a 5.00% share in the voting rights of secunet Security Networks AG.

secunet itself holds a further 0.47% of the shares (30,498 individual shares), while the remaining 15.57% of the shares is in free float.

TRADING VOLUME REMAINS LOW

In 2010 the average number of secunet shares traded on the Frankfurt stock exchange and on XETRA was 2,549 shares per day. This compares with 4,350 shares during 2009. Therefore, the average daily trading volume remained low. The low level of turnover can make the share more volatile, i.e. trigger major price fluctuations as soon as the supply of or demand for secunet shares increases.

HIGH ATTENDANCE AT ANNUAL GENERAL MEETING

The Ordinary Annual General Meeting of secunet Security Networks AG was held on 25 August 2010 in Essen, with 83% of the share capital represented. Each of the agenda items received more than 99% approval.

COMPREHENSIVE INVESTOR INFORMATION

Investor relations play a key role at secunet Security Networks AG, which places large emphasis on providing the public with up-to-date, comprehensive and consistent information. Transparency is a watchword.

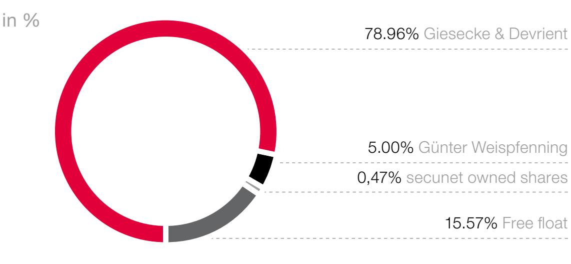
secunet is synonymous with regular and open reporting that is designed to provide our shareholders with comprehensive information on the activities and business performance of secunet Security Networks AG. In the year under review the Management Board presented the Company to a wide audience at Deutsche Börse's German Equity Forum in November and in face-to-face meetings with interested investors and analysts.

All information published by secunet is posted on the company's website **(www.secunet.com)** as soon as possible. The website also contains financial reports and presentations and the current financial calendar. Shareholders and other interested parties can also contact Investor Relations by phone on +49 201 54 54 - 12 34 or via e-mail at **investor.relations@secunet.com** for further information.

SECUNET STOCK INFORMATION

Reuters	YSNG.DE
Bloomberg	YSN
WKN	727650
ISIN	DE0007276503
Class of share	Ordinary bearer shares with no par value
Share capital in Euro	6,500,000
Share capital in units	6,500,000

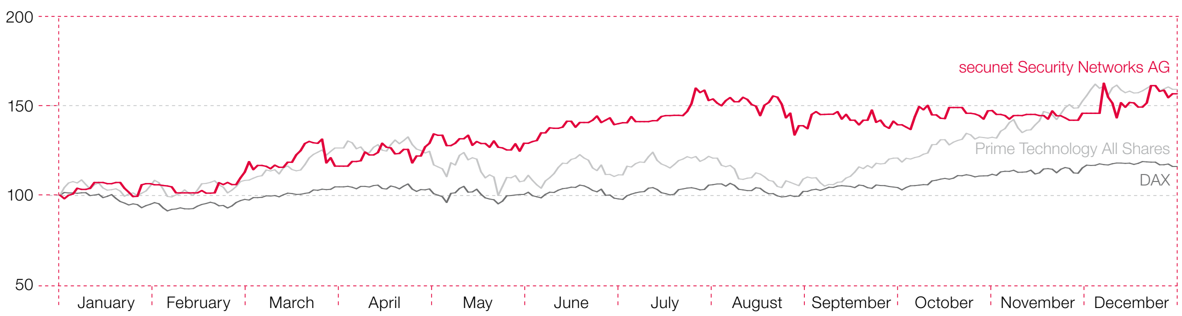
SHAREHOLDER STRUCTURE 2010



SHARE PERFORMANCE IN 2010

Share performance 1 Jan 2010 – 31 Dec 2010

Index, price 1 Jan 2010 = 100



Corporate Governance Report

DECLARATION OF CORPORATE GOVERNANCE

Effective and transparent Corporate Governance is very important to secunet Security Networks AG. The Company's Management Board and Supervisory Board firmly believe that good Corporate Governance is key to the Company's success. As part of this, the Management Board and Supervisory Board regularly monitor the implementation of the German Corporate Governance Code at secunet Security Networks AG on the basis of statutory requirements and the German Corporate Governance Code issued by the Government Commission.

In financial year 2010, the Management Board and Supervisory Board of secunet Security Networks AG once again carefully deliberated on the recommendations and proposals of the German Corporate Governance Code, in particular the amendments that entered into force on 26 May 2010. The declaration of conformity set out below regarding the German Corporate Governance Code was agreed on the basis of these deliberations. This declaration is published permanently on our website and constantly updated to reflect any amendments.

In accordance with Item 3.10 of the German Corporate Governance Code and Section 289a of the German Commercial Code (Handelsgesetzbuch, HGB), the Management Board and Supervisory Board give the following report:

MANAGEMENT AND SUPERVISORY STRUCTURE

As a German public company limited by shares, secunet Security Networks AG is subject to German company law and therefore has a dual management and supervisory structure consisting of a three-member Management Board and a six-member Supervisory Board. The Management Board and Supervisory Board work together closely and on the basis of mutual trust in their management and supervision of the Company.

Supervisory Board

The Supervisory Board supervises and advises the Management Board with regard to the management of the Company. At regular intervals, the Supervisory Board discusses business performance and planning, as well as strategy and its implementation. It discusses quarterly reports and approves the Annual Financial Statements of secunet Security Networks AG and the consolidated group, taking into consideration the audit reports prepared by the independent auditors and its own examination. The Supervisory Board monitors the accounting process, the effectiveness of the internal control system, risk management and internal audit, as well as the auditing of the financial statements. Its tasks and responsibilities also include appointing members to the Management Board. Management Board decisions of fundamental importance, such as major acquisitions, disposals and financial measures, require the consent of the Supervisory Board. An extraordinary meeting of the Supervisory Board is convened as and when necessary should significant events arise. The Supervisory Board has drawn up rules of procedure for its work. Its Chairman coordinates the work carried out within the Supervisory Board, chairs its meetings and represents its interests externally.

In accordance with the Articles of Association, the Supervisory Board of secunet Security Networks AG comprises six members. These members were elected individually at the Annual General Meeting held on 27 May 2009, in compliance with the recommendations of the German Corporate Governance Code. The knowledge, skills and professional experience required to fulfil the remit are taken into account when drawing up the nominations for election to the Supervisory Board. There is a sufficient number of independent members on the Supervisory Board who have no commercial or personal relationship with the Company or its Management Board. The Supervisory Board has a term of office of five years, with the current term of office due to an end at the Ordinary General Meeting in 2014.

The Supervisory Board has formed a Chairman's Committee. This is made up of the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board and a further member of the Supervisory Board chosen by Supervisory Board members. The role of the Chairman's Committee is to discuss Management Board personnel matters and prepare the corresponding resolutions of the Supervisory Board. In particular, the Chairman's Committee makes proposals for the appointment of Management Board members, including the principles governing the conditions of the employment contracts and the structure and level of Management Board members' remuneration.

No other committees have been formed by the Supervisory Board. As the Supervisory Board of secunet Security Networks AG consists of six members, it is ensured that the plenary Supervisory Board works efficiently.

Management Board

The Management Board, as the body responsible for managing the Company, conducts the Company's business under its own responsibility and in the Company's interests in the aim of increasing its value on a sustainable basis. In particular, it determines the principles of the company's policy and is also responsible for developing the company's strategy, for planning and setting the company's budget, for allocating resources, and for controlling and managing the company's business divisions and business units. The Management Board is responsible for preparing the company's quarterly financial statements, the Annual Financial Statements of secunet Security Networks AG and Consolidated Financial Statements for the Group.

The Management Board works closely with the Supervisory Board. It informs the Supervisory Board regularly, comprehensively and without delay of all issues important to the company as a whole with regard to strategy and strategy implementation, planning, business performance, the financial and earnings situation, and entrepreneurial risks.

RESPONSIBLE RISK MANAGEMENT

Good Corporate Governance also means that the company must take a responsible approach to risk. Systematic risk management as part of our value-oriented Group management ensures that risks are identified and evaluated at an early stage, and that the risk position is optimised. Details of risk management at secunet Security Networks AG are given in the Management Report. This also contains the report required under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) on the key characteristics of the internal control and risk management system relating to accounting.

INFORMATION FOR SHAREHOLDERS

secunet Security Networks AG reports to its shareholders four times a year on business performance and on the financial and earnings situation, and makes all reports and information permanently available to shareholders on the company's website at **www.secunet.com.**

The shareholders of secunet Security Networks AG may exercise their rights, including voting rights, at the Annual General Meeting. The Annual General Meeting takes place in the first eight months of the financial year. Ahead of the Annual General Meeting, shareholders receive comprehensive information about the past financial year and about the individual items on the agenda of the upcoming meeting by way of the Annual Report and invitation to the Meeting. All relevant documents and information on the Annual General Meeting, together with the Annual Report, are also available on our website.

Shareholders are regularly notified about important dates by means of a financial calendar published in the Annual Report, in the quarterly reports and on the company's website.

Further detailed information about secunet Security Networks AG is available on our website at **www.secunet.com.**

CORPORATE GOVERNANCE GUIDELINES

The Articles of Association of secunet Security Networks AG, the current declaration of conformity, the declarations of conformity for previous years and further corporate governance documents can be found online at **www.secunet.com** under The Company/Investor Relations/Corporate Governance.

In 2008 the Management Board introduced a Code of Conduct for the company and its employees summarising the business principles of secunet Security Networks AG. These principles are a crucial part of how secunet Security Networks AG sees itself, and of the expectations that it strives to meet. The Code of Conduct is a set of standards for dealing with all the economic, legal and moral challenges that we face in our day-to-day business activities and is intended as a benchmark and guide when working with customers, suppliers and other business partners, and for our conduct towards our competitors. It also governs our conduct in financial matters and trading in secunet shares, their derivatives and other financial instruments. The company has set up a compliance unit to handle questions arising in connection with the Code of Conduct.

MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

secunet Security Networks AG complies with statutory regulations and the recommendations of the German Corporate Governance Code and discloses the remuneration of each individual member of the Management Board. In this Annual Report (more specifically, in the remuneration report, which forms part of the management report) we detail the remuneration of the members of the Management Board and of the Supervisory Board.

NOTIFICATION OF TRANSACTIONS UNDER SECTION 15A WPHG (DIRECTORS' DEALINGS)

Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) requires members of the Supervisory and Management Boards and comparable executives of secunet Security Networks AG to disclose transactions in secunet shares or related financial instruments, where the sum total of such transactions reaches Euro 5,000 within a single calendar year. Natural persons and legal entities closely related to the above persons are subject to the same obligation. Directors' Dealings disclosures are also published on our website under Investor Relations. No Director's Dealings took place in 2010.

No member of the Management Board or Supervisory Board owns more than 1% of the shares, or financial instruments related to the shares, of the company. The members of the Management Board and Supervisory Board jointly own no more than 1% of the shares of the company.

ACCOUNTING AND AUDITING OF THE FINANCIAL STATEMENTS

secunet Security Networks AG prepares its Consolidated Financial Statements and Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards (IFRS). The Annual Financial Statements of secunet Security Networks AG are prepared in accordance with German commercial law (Handelsgesetzbuch, HGB). The Annual and Consolidated Financial Statements are compiled by the Management Board and audited by the auditors and the Supervisory Board. Interim reports and the half-year report are discussed by the Management Board and Supervisory Board prior to their publication.

secunet Security Networks AG's Consolidated and Annual Financial Statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Essen branch, the auditors appointed by the 2010 Annual General Meeting. The audits were performed in accordance with Section 317 onwards of the German Commercial Code (HGB) and with due consideration for the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

It was also contractually agreed with the auditors that they would inform the Supervisory Board without delay of any potential grounds for exclusion or bias and of any findings or occurrences of significance to the Supervisory Board's remit that came to light during the audit. There was no cause for the auditors to do so in connection with the audits for the financial year 2010. The Condensed Consolidated Interim Financial Statements and the Interim Group Management Report as at 30 June 2010 were subjected to an auditor's review by BDO AG Wirtschaftsprüfungsgesellschaft.

DECLARATION OF CONFORMITY UNDER SECTION 161 AKTG

The Management Board and Supervisory Board of secunet Security Networks AG have issued the following declaration of conformity regarding the recommendations of the Government Commission on the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). The declaration of conformity can also be found on secunet Security Networks AG's website under The Company / Investor Relations / Compliance & Corporate Governance.

secunet Security Networks AG complies with the recommendations of the Government Commission on the German Corporate Governance Code, as amended in the version in force on 18 June 2009 and then the version in force on 26 May 2010 and published by the German Ministry of Justice in the official part of the Electronic Federal Gazette, with the following exceptions:

3.8 para. 3 An excess should be agreed in D&O insurance for the Supervisory Board
Explanation: The secunet Supervisory Board conducts its business with the utmost sense of responsibility. An excess would not give rise to any additional improvement or incentive.

5.1.2 para. 2 sentence 3 An age limit should be set for Management Board members
Explanation: It is not currently necessary to set an age limit for the Management Board members at secunet due to the ages of said members (years of birth: 1954, 1964 and 1966).

5.3.2 The Supervisory Board should set up an Audit Committee
Explanation: The Supervisory Board consists of six members. Due to the number of Supervisory Board members and the composition of the Supervisory Board, setting up a separate Audit Committee would not increase the efficiency of the work performed by the Supervisory Board in relation to accounting, risk management, compliance and the auditing of the financial statements.

5.3.3 The Supervisory Board should form a Nomination Committee
Explanation: The Supervisory Board of secunet Security Networks AG consists of only six members. All members are elected by the shareholders. An additional Nomination Committee has therefore not been set up.

5.4.1 para. 2 The Supervisory Board should stipulate specific targets with regard to its composition, taking into account the company's specific situation, its international operations, potential conflicts of interest, an age limit to be determined for Supervisory Board members, and diversity. In particular, the specific targets should provide for an appropriate proportion of female members of the Supervisory Board.
Explanation: The Supervisory Board has decided to comply with the revised recommendation in Item 5.4.1 para. 2, and will be drawing up specific targets as defined therein.

5.4.6 para. 2 The members of the Supervisory Board should receive performance-related remuneration in addition to fixed remuneration
Explanation: The remuneration of the members of the Supervisory Board may be laid down in the Articles of Association or approved by the Annual General Meeting. secunet Security Networks AG's Articles of Association do not provide for performance-related remuneration on the part of the members of the Supervisory Board. In addition, the Annual General Meeting has not approved any performance-related remuneration for the members of the Supervisory Board.

5.4.6 para. 3 The remuneration of the Supervisory Board members should be presented individually in the Corporate Governance Report, broken down by its various components
Explanation: As the members of the Supervisory Board only receive fixed remuneration, which is also laid down in the Company's Articles of Association, an individual breakdown of the remuneration received by the Supervisory Board members is not required in the Corporate Governance Report.

7.1.2 The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period
Explanation: Due to the correction of the Financial Statements of the Czech subsidiary secunet s.r.o. and the potential correction of the Annual Financial Statements of secunet Security Networks AG for the 2009 financial year, the deadline for the publication of interim reports as at 31 March 2010 was exceeded on one occasion. In future, the Company intends to publish its financial reports – as in the past – within the recommended time limits.

secunet Security Networks AG
Essen, 8 December 2010

The Management Board The Supervisory Board

MANAGEMENT REPORT

SUMMARISED MANAGEMENT REPORT
REPORT ON THE POSITION OF THE COMPANY AND THE GROUP
FOR FINANCIAL YEAR 2010

1. BUSINESS AND BASIC CONDITIONS

1.1. Group structure and business activities

1.1.1. Business activities and business units

secunet Security Networks AG (referred to here as "secunet AG" or "secunet") provides consulting services, products and solutions in the field of IT security. The company specialises in challenging projects that unite technologies and processes, as well as complex and high-security IT solutions. Applications are developed for professional use in such areas as high-security cryptographic systems and electronic signature systems. The range of solutions is mainly geared towards large-scale infrastructures. Customers usually receive customised solutions tailored to their individual requirements, even if these are based on standard applications.

1.1.2. Group and organisational structure, locations

The secunet Group includes secunet Security Networks AG in Germany, together with the subsidiaries secunet SwissIT AG in Switzerland, secunet s.r.o. in the Czech Republic and Secunet Inc. in the USA (shelf company). At its meeting of 8 December 2010 the Supervisory Board of secunet Security Networks AG accepted the Management Board's proposal that the Company's own subsidiaries abroad should no longer be used as the basis for commercial operations. As a consequence of this strategic decision, secunet AG will be terminating the commercial operations of its subsidiaries secunet s.r.o. in the Czech Republic and secunet SwissIT in Switzerland. The plan is for these companies to be liquidated in 2011. In future secunet's customer base in Switzerland and the Czech Republic will be looked after from Germany or via partner companies in the respective countries.

secunet has eight locations within Germany, in Berlin, Bonn, Dresden, Essen (head office), Frankfurt, Hamburg, Munich and Siegen, where consulting and development mandates are processed in close proximity to customers. secunet also has a training centre in Munich, which provides training in *SINA*, the Secure Inter-Network Architecture, aimed primarily at users and administrators.

secunet Germany has a target group-oriented organisational structure. The activities of the two divisions Public Sector and Private Sector are clearly geared towards the existing target groups of government, authorities and international organisations, and then private companies, respectively. Each division is headed by a member of the Management Board. The focus within the divisions is on specialist areas: in the Public Sector division, the core competence cryptotechnology and main product *SINA* are managed in the High Security business unit, while the Government business unit handles all other (consulting) services and products for public sector customers. The Private Sector division encompasses the Automotive Security business unit, and IT security solutions for private companies within the Business Security business unit.

Giesecke & Devrient GmbH is the majority shareholder, with a direct holding of 78.96%, and parent company of secunet Security Networks AG. Giesecke & Devrient (G&D) is a leading international technology group based in Munich. Founded in 1852, the company is a global market leader in the production and processing of bank notes and bank note paper, chip-based solutions for telecommunications and electronic payments, as well as security documents and identification systems.

1.1.3. Products and services

secunet operates a project-based business and acts as a solution provider. Its product portfolio comprises services, hardware and software. Services include specialist IT consulting, software development, and the development and implementation of comprehensive security solutions. secunet also covers the entire hardware and software value chain from product design and development to integration, maintenance and product support. The company's core competence is the application of cryptographic procedures in system solutions.

secunet's four German business units primarily offer the following range of products and services:

High Security
- *SINA* product line
- secunet wall
- Consulting and integration
- Training

Government
- e-Government
- Biometrics and electronic ID documents
- Health system
- Secure web solutions
- Security validation

Business Security
- Security analyses
- Information security management in accordance with ISO 27001
- Network security
- Data Loss Prevention (DLP)
- Single Sign-On
- Electronic signature and B2B integration

Automotive Security
- Function activation
- Flash data security
- Online security
- Advanced engineering
- Advanced backend security

1.1.4. Key sales markets

The target markets for secunet's products and services are public sector customers and the private sector. While the bulk of secunet sales are still generated in Germany, revenue from abroad is set to increase. To date, secunet's sales activities have focused on the European Union member states, the Middle East and Asia. Integration in the global Giesecke & Devrient Group supports secunet's international sales activities.

1.1.5. Management and control – Reference to the Declaration of Corporate Governance pursuant to Section 289 a (1) of the German Commercial Code (Handelsgesetzbuch, HGB)

As a German public company limited by shares, secunet Security Networks AG has a dual management and control structure. The Group is managed by the Management Board, whose members are appointed by the Supervisory Board. The Supervisory Board advises the Management Board and monitors its conduct of business. A detailed explanation of the management of the secunet Group can be found in the Corporate Governance Report of secunet AG. This section also contains the Declaration of Corporate Governance in accordance with Section 289a, para. 1 of the German Commercial Code (HGB). The Corporate Governance Report is permanently available on the website of secunet Security Networks AG at **www.secunet.com.**

1.1.6. Remuneration report

The remuneration report summarises the principles used to determine the remuneration of the Management Board of secunet Security Networks AG and sets out the amount and structure of the income received by its members. It also sets out the principles behind and amount of the remuneration received by the Supervisory Board and provides information on the shareholdings of Management Board and Supervisory Board members.

Remuneration of the Management Board

The Supervisory Board of secunet Security Networks AG is responsible for determining the remuneration of the Management Board. The Chairman's Committee of the Supervisory Board deals with personnel matters of the Management Board; its responsibilities include, in particular, drawing up proposals for the Supervisory Board regarding the structure and amount of remuneration paid to Management Board members. The members of this committee are Dr Karsten Ottenberg, Chairman of the Supervisory Board; Dr Wilhelm Wick, Deputy Chairman of the Supervisory Board; and Dr Peter Zattler, Member of the Supervisory Board.

In financial year 2010 the remuneration package was made up of four components: a fixed annual salary, a variable bonus, ancillary non-cash benefits and a contribution to the retirement pension. The Management Board remuneration package is broken down as follows:

- The fixed component is paid monthly in the form of salary.
- The variable component is based on the Company's results.
- Non-cash and other benefits essentially comprise the taxable values of company car usage and accident insurance premiums.
- The retirement pension contributions paid to members of the Management Board are set out in their individual contracts of employment.

Management Board contracts do not expressly provide for any severance payment in the event that the employment relationship is terminated prematurely.

There are no special provisions in Management Board contracts governing the procedure in the event of a change of control, in other words if a single shareholder or several acting jointly should acquire the majority of the voting rights in secunet Security Networks AG and exercise a controlling influence, or if secunet Security Networks AG should become a dependent company through the conclusion of an affiliation agreement as defined in Section 291 of the German Stock Corporation Act (Aktiengesetz, AktG) or through a merger between secunet Security Networks AG and other companies.

The total remuneration paid to the members of the Management Board in financial year 2010 was kEuro 778.9 (previous year: kEuro 802.2). The amount provisioned during the previous year for variable remuneration was released in the amount of kEuro 220.2. The following remuneration packages of the individual members of the Management Board for financial year 2010 were therefore recognised as expense:

in Euro	Fixed remuneration	Provision for variable remuneration 2010	Release of provision of variable remuneration previous year	Non-cash benefits	Total
Dr Baumgart	170,004	90,383	-80,060	23,852	204,179
Koelzer	150,000	80,383	-70,060	12,096	172,419
Pleines	150,000	80,383	-70,060	21,802	182,125
Total	**470,004**	**251,149**	**-220,180**	**57,750**	**558,723**

Management Board members do not receive any additional remuneration for their activities in the subsidiaries.

The pension entitlements of the Management Board as at 31 December 2010 were as follows:

	Under IFRS		Under German Commercial Code (HGB)		
in Euro	Present value	Current service cost	Defined benefit obligation	Provision	Premium
Dr Baumgart	279,255	11,804	267,567	171,427	24,163
Koelzer	113,093	12,001	108,419	75,570	20,925
Pleines	182,700	9,424	171,196	99,106	17,764

Due to the option provided under Article 67, paras. 1 and 2 of the Introductory Act to the German Commercial Code (EGHGB) of making an annual allocation of 1/15th of the difference arising from the change in valuation due to the German Accounting Law Modernisation Act (BilMoG), there is a cover shortfall totalling kEuro 201 between the benefit obligation under HGB and the provision in place.

As at 31 December 2010 the members of the Management Board held no secunet shares, as had also been the case on the same date of the previous year.

The members of the Management Board do not receive any loans from the Company.

Furthermore, no member of the Management Board was promised or granted any benefits by a third party in the previous financial year in respect of his activity as a member of the Management Board.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is laid down in Article 17 of the Articles of Association of secunet Security Networks AG. It is based on the tasks and responsibilities of the members of the Supervisory Board.

In addition to an attendance fee in the form of a lump-sum payment to cover their expenses, the members of the Supervisory Board receive a fixed remuneration of kEuro 4. The Chairman of the Supervisory Board receives kEuro 8 and the Deputy Chairman receives kEuro 6. The total remuneration paid to the Supervisory Board for financial year 2010 was kEuro 35.9 (previous year: kEuro 34.5).

The members of the Supervisory Board do not receive any loans from the Company.

The members of the Supervisory Board did not receive any other remuneration or benefits in the year under review for services provided personally, in particular consulting and agency services.

1.1.7. Information and explanatory report provided by the Management Board in line with Section 289 (4) and Section 315 (4) of the German Commercial Code (Handelsgesetzbuch, HGB)

The Management Board of secunet Security Networks AG provides the following information for financial year 2010 in line with Section 289 (4) and Section 315 (4) of HGB:

1. The share capital of secunet Security Networks AG remains unchanged at Euro 6,500,000 and is divided into 6,500,000 bearer shares with no par value. Each share entitles the holder to one vote at the Annual General Meeting of secunet Security Networks AG.

2. With regard to the business model of secunet Security Networks AG, there may be restrictions on the assignment of secunet shares under the German Foreign Trade and Payments Act (Außenwirtschaftsgesetz, AWG). For example, Section 7 (2) no. 5 of the AWG stipulates that "legal transactions on the purchase of resident companies which […] produce cryptographic systems admitted for the transmission of governmental classified information by the Federal Office for Information Security Technology […]" may be restricted. Apart from the restrictions under the AWG, the shareholders of secunet Security Networks AG are not restricted either by German law or by the Company's Articles of Association in their decisions on the acquisition or disposal of the Company's shares. In particular, the acquisition and disposal of shares do not require the approval of the Company's executive bodies or other shareholders in order to be valid. Provided that the necessary notices are given, shareholders' voting rights are not subject to restrictions either under the law or under the Company's Articles of Association. Voting rights are not limited to a certain number of shares or votes. All shareholders who have proved their entitlement to attend the Annual General Meeting and exercise their right to vote by providing the Company with appropriate documentation that relates to the time before the Annual General Meeting defined by law and was received by the Company within the statutory period prior to the Annual General Meeting at the address given in the invitation are entitled to exercise their right to vote in respect of all shares they hold and for which they have provided appropriate documentation. Only the statutory bans on voting apply.

   The Management Board is not aware of any agreements between shareholders that give rise to restrictions in respect of the assignment of voting rights or shares in the Company.

3. To the Management Board's knowledge, around 20.57% of the Company's shares are in free float. To the Management Board's knowledge, direct and indirect capital holdings exceeding 10% of voting rights are held by Giesecke & Devrient GmbH, Munich, which has a direct stake of 78.96%.

4. secunet Security Networks AG has not issued any shares that grant special rights.

5. Like the rest of the Company's shareholders, employees who hold some of its capital also make their own decisions on the exercise their voting and control rights and therefore exercise their control rights directly.

6. The Management Board of secunet Security Networks AG is appointed and dismissed exclusively in line with statutory provisions, in particular Sections 84 and 85 of AktG. The Articles of Association do not contain any special provisions governing the appointment and dismissal of either individual members or the entire Management Board. The Supervisory Board has sole responsibility for its/their appointment and dismissal. It appoints members of the Management Board for a maximum of five years. Members may be reappointed or have their term of office extended, in each case for a maximum of five years.

   The Articles of Association may be amended through a resolution of the Annual General Meeting. The amendment becomes effective upon entry in the Commercial Register. Resolutions of the Annual General Meeting are passed with a simple majority of votes cast unless the Articles of Association or mandatory legal provisions provide otherwise.

   The Articles of Association of secunet Security Networks AG do not currently provide for a conditional capital increase or contain any Management Board authorisation to increase the share capital by issuing new shares against a capital contribution, which means there is also no authorised capital. Similarly, no authorisation has been granted to acquire treasury shares in accordance with Section 71, para. 1, no. 8 of AktG. As at 31 December 2010, the Company held 30,498 bearer shares which it had acquired on the basis of an authorisation from the Annual General Meeting of 29 May 2001 to grant options to employees and members of the Management Board and to grant convertible bonds to members of the Supervisory Board. By resolution of the Annual General Meeting of 27 May 2009, the Management Board was granted authority to dispose of those shares on an exchange, with the approval of the Supervisory Board. The Management Board of secunet Security Networks AG had not made use of this authorisation as at 31 December 2010. Furthermore, the Management Board of secunet Security Networks AG currently has no powers to issue or buy back shares.

7. The company has no significant agreements that are contingent upon a change of control due to a takeover bid.

8. The company has concluded no remuneration agreements with the members of the Management Board or employees in the event of a takeover bid.

1.1.8. Management Board report in line with Section 312 (3) of AktG
In line with Section 312 (3) of the AktG, the Management Board has prepared a report on the Company's relationships with affiliated companies for the financial year 2010. The report contains the following closing declaration: "It is hereby declared that our company receives an appropriate consideration for each of the legal transactions listed. This assessment is based on the circumstances known to us at the time the reportable events took place. There were no further reportable legal transactions, measures or omissions in addition to the activities reported."

1.2. Corporate management and strategy

1.2.1. Internal control system
The Management Board of secunet Security Networks AG manages the secunet Group on the basis of key financial figures, primarily sales and profit ratios, and utilisation and productivity figures. The Management Board obtains comprehensive information about the state of business and these key figures at its twice-monthly meetings. The Management Board liaises regularly with the business unit heads, who have operational responsibility, to discuss any sales/marketing and project management measures that may be required.

1.2.2. Strategy
During the 2010 financial year and at the time this report was prepared, the secunet Group was primarily a national provider of IT security services specialising in high security and IT security for public sector applications. The aim of secunet's strategy remains to further broaden the Company's activities by using the skills gained in the area of high security and government. This is to be achieved both through diversification in terms of products and target customers and through internationalisation.

Specifically, this means:

- secunet is a premium German supplier of high-quality security solutions and a security partner to the German Federal Government. The position that this excellent qualification allowed the Company to achieve on the core German market as a supplier of high-quality IT security to public authorities is to be further expanded, thereby laying the foundations for a stable business over the long term.

- At the same time, the aim is to tap into new target groups in the core German market. This primarily relates to private sector companies. secunet's Business Security business unit combines its own proven solutions and solutions from expert partners with the Company's excellent existing consulting and project expertise. Additionally, potential new customers in the private sector are to be offered tailored solution concepts, drawing on the experience gained by secunet from the services it provides to the authorities. This includes different forms of *SINA* technology, public key infrastructures (PKI) and the managed security services offering. There are also specific solutions tailored to the requirements of companies in the area of IT security, such as data loss prevention (DLP), for example. secunet's Automotive Security business unit offers a specialised approach for the private sector relating to the secure use of software in vehicles. This includes innovative security solutions in relation to flash data security, car-to-car communication or security for online access from within the vehicle.

- secunet intends to optimise its product portfolio: the products will be developed in collaboration with customers in line with their requirements, while the range of services relating to secunet products will be expanded. At the same time, the Company will seek to expand its sales and marketing channels in order to improve access to a wider target group, first and foremost through intensive cooperation with sales and marketing partners. The product range will also be extended through cooperation with efficient product partners.

- The internationalisation strategy will be pursued, both through the Company's own sales and marketing activities and through partnerships with local providers, who offer good access to customers in the relevant countries. The company's international expansion is focused primarily on the High Security business unit's *SINA* product line and the Government business unit's biometrics and electronic ID documents products (secunet biomiddle, Golden Reader Tool (GRT) platinum edition and eID PKI suite).

1.3. Research and development

secunet only conducts its own research and development activities to a very limited extent. It is common practice for suppliers of government agencies, particularly in the high security field, to develop special solutions in line with the customer's specifications. secunet does not develop proprietary products for which there is not yet any concrete demand.

1.4. Overview of business performance

1.4.1. Macroeconomic environment
"The German economy proved to be unexpectedly dynamic in 2010, and with growth of 3.6%, experienced the largest increase in its gross domestic product since unification. This strong upturn following the dramatic economic collapse in winter 2008/2009 was attributable in particular to the recovery in the global economy. German companies were able to use their high level of competitiveness to build on previous exporting success. Since then, the impetus from foreign trade has carried over into domestic demand, which is increasingly becoming the driving force in the development of the economy. The recovery has therefore gained in breadth." (Annual Economic Report 2011, Federal Ministry of Economics and Technology [Bundesministerium für Wirtschaft und Technologie, BMWi])

1.4.2. Prospects for the sector
The prospects for the IT sector are measured by the BITKOM industry association (German Association for Information Technology, Telecommunications and New Media). Following a clear period of recession in 2009 (-6.5%), the IT market in Germany grew by 2.7% overall in 2010, with the IT services market expanding by 1.4% and the software market by 2.4%. The positive development in the economy as a whole therefore led to a tangible recovery in the field of information technology. As a result, the general mood in the high tech sector is as good as it has been for years. In the fourth quarter of 2010 the BITKOM index reached 69 points, its highest value since the sentiment indicator was introduced back in 2001.

Security remains a key issue for the ICT market. The fundamental threat of hacking, PC viruses and phishing remains high and is even increasing. Large social infrastructure projects such as the introduction of electronic IDs, the use of biometrics and electronic healthcare cards, as well as the general increase in e-government applications also raise a number of (IT) security issues and are at the forefront of public concerns. Added to this, the subject of "protection against data loss" is becoming increasingly important for companies in view of the data scandals that keep appearing in the media. In 2010 the STUXNET computer virus and the WikiLeaks affair raised public awareness of issues relating to IT, data and information security even further.

As specific market statistics for IT security are not recorded on a regular basis, an estimate for this market can only be indirectly calculated. The IT security segment benefits from the performance of the sector as a whole. Security spending is directly dependent on the general level of spending on IT infrastructure.

The IT security market is also driven by the level of awareness of security failings and the need for protection in the organisations in question. Statutory security regulations also boost the demand for IT security.

Forecasts derived from studies on IT security in Germany point put growth in the market for security technology and electronic security systems significantly higher than the anticipated growth for the IT sector as a whole. According to a study published in 2010, an average annual growth rate of 10% is expected in the IT security market between 2008 and 2012.

With its concentration on IT high security and focus on government agencies as customers, secunet occupies a niche position in the information and telecommunications systems market. *SINA* is the only solution approved in Germany for highly confidential web-based communication between government agencies. The company's long-standing experience, profound expertise in the area of IT security and numerous reference projects also give it a strong position in the public sector consulting market. secunet has established a solid reputation among corporate managers in the specialist field of IT security for the automotive sector and has developed a market position that offers good growth potential. The company's market position in the Automotive Security business unit is just as capable of expansion as its market position in products aimed at the private sector (Business Security).

2. RESULTS OF OPERATIONS

2.1. Revenue performance

In financial year 2010, secunet Group revenue fell by 7% or Euro 4.5m compared with the previous year, down from Euro 64.0m to Euro 59.5m.

This fall in revenue during the past financial year can be attributed to two main factors. First, large-scale projects planned by the German army, a major customer, were postponed due to the structural changes currently being implemented within the army organisation. Second, the projects awarded as a result of the German government's economic rescue package came to an end.

The High Security business unit generated the largest proportion of group revenue, accounting for Euro 33.6m or representing 57% of the total. This is a clear indication of the dominant position of the Secure Inter-Network Architecture (*SINA*) for secunet's business. The lost orders from the German army, one of the major customers, was reflected in the business unit's revenue, with sales down by 13% (previous year: Euro 38.9m).

The Government business unit generated 25%, or Euro 14.9m, of total revenue. This revenue came from a number of consulting projects, including the electronic tax return system ELSTER and electronic ID documents (electronic passports, electronic ID cards). Consulting projects for various authorities in Germany on IT security issues based on a service level agreement with the BSI and a very large German infrastructure project, which is to be spread over several years, also contributed significantly to revenue. Support was additionally provided by the biometric solutions business, which includes the biometric middleware application secunet biomiddle. The Government business unit only just failed to match 2009 revenue levels, with revenue 4% lower than in the previous year.

Overall, the secunet Group derived some 82% of its revenue from public sector customers. The previous-year figure was 85%. Thus the Public Sector division plays a much bigger role than the Private Sector division in generating revenue.

Revenue increased in both the Business Security business unit and in the Automotive Security business unit. This shows the high extent to which both sectors are dependent on the state of the economy. The Business Security business area was able to record a slight increase of 3% in its revenue, up from Euro 8.6m to Euro 8.8m. The impact of the state of the economy as a whole is particularly marked in Automotive Security, where revenue increased by 50% or Euro 0.6m from Euro 1.2m to Euro 1.8m. Nevertheless, both areas continued to be hampered by the fact that secunet's strong market position and high profile in the areas of high security and e-government cannot automatically be transferred to the industrial sector. secunet is far better known as a provider of consultancy, solutions and products in the public sector than in industry. Furthermore, there is a lower level of awareness of the need for IT security in companies than in authorities. While the latter regard IT security as a basic requirement and cover their needs accordingly, the security of the IT infrastructure and protection of information in companies often only becomes an issue if damage has been done or the risk of damage occurring increases dramatically. This is why private companies are generally not particularly inclined to invest in IT security.

Projects with the Giesecke & Devrient (G&D) Group generated revenue of Euro 0.8m, equivalent to a decline of Euro 1.2m or 62% compared with the previous year (Euro 2.0m).

Revenue generated abroad from secunet products and services fell from Euro 4.9m in 2009 to Euro 4.8m in 2010. Foreign revenue as a proportion of total Group revenue rose slightly, from its previous year's level of 7.7% to 8.0% during the 2010 financial year.

2.2. Earnings performance

Earnings before interest and tax (EBIT) developed in the same way as revenue. Compared with Euro 3.9m in financial year 2009, EBIT in 2010 came in at Euro 3.6m, representing a fall of 7.7%.

An analysis of the individual expense items paints a similar picture.

The fall in product business meant that the costs of materials and purchased services dropped considerably, down 18% or Euro 4.7m from Euro 26.7m in 2009 to Euro 22.0m in 2010. The falling levels of hardware procurement in connection with the slower paced *SINA* business (High Security business unit) were a factor in this regard.

In contrast to the fall in costs for materials, personnel expenses, depreciation and amortisation and other operating expenses all rose.

Personnel expenses rose by 5% from Euro 22.2m to Euro 23.4m. This was mainly due to the increase in the average number of staff employed by the secunet Group.

Depreciation and amortisation rose by around kEuro 160, or 19%, up from kEuro 818 to kEuro 975.

Other operating expenses increased by 8% or Euro 0.8m, up from Euro 10.9m to Euro 11.7m. This expense item largely comprises costs relating to the increase in headcount, such as recruitment, rent and other employee-related costs. There is therefore a strong correlation between other operating expenses and the increase in employee numbers. Also included in this figure are the expenses for consulting services related to the claim with secunet s.r.o., Prague, and for the liquidation of foreign companies. The costs incurred in relation to consultancy and actuarial certificates, travel costs and allocations to provisions therefore rose considerably compared with the previous year.

Other operating income rose compared with the previous year. The increase of Euro 1.6m, from Euro 0.6m to Euro 2.2m, is primarily attributable to compensation paid out under insurance policies (in the case of secunet s.r.o., Prague) and the reversal of provisions (reduced level of performance-related variable remuneration).

During the first half of the 2010 financial year, secunet Security Networks AG discovered a need for correction in relation to the Annual Financial Statements of its Czech subsidiary secunet s.r.o. in Prague, these statements having been included in the Group statements. Correspondingly, there was also a need to adjust the value of the receivables with secunet s.r.o. in the Annual Financial Statements of secunet Security Networks AG. secunet Security Networks AG therefore decided to correct its Annual Financial Statements and Consolidated Financial Statements for the financial year 2009 and also to update the summarised Management Report for the Company and the Group accordingly. With the exception of expenses for consultancy services and income paid under insurance policies, which are reflected in the 2010 figures, all of the income effects of this correction process have already been incorporated into the 2009 Annual Financial Statements.

These effects resulted in a Group EBIT of Euro 3.6m for the 2010 financial year after a figure of Euro 3.9m in 2009.

The individual business units contributed to EBIT to varying degrees. The EBIT margin (ratio of EBIT to revenue) in the Government business unit was 3.3% (EBIT of Euro 0.5m), with the High Security business unit proving to be the main revenue driver in the secunet Group, recording an EBIT margin of 11.1% (EBIT of Euro 3.7m). The Business Security business unit posted an EBIT margin of 3.8% (Euro 0.3m). The EBIT from “Other segments” includes the EBIT contribution from Automotive Security plus general and administrative expenses. At Euro -1.2m, this amounted to a negative contribution to EBIT.

Interest income for the secunet Group fell 4% from kEuro 78 in 2009 to kEuro 75 in 2010. Interest expenses dropped from kEuro 45 to kEuro 14. After an unrealised foreign currency loss in the previous year (kEuro -47), an unrealised foreign currency gain was recorded in 2010 (kEuro 28). Overall, the financial result rose from kEuro -14 in the previous year to kEuro 89 in 2010. Earnings before tax totalled Euro 3.7m, compared with Euro 3.9m in the previous year.

Tax expense rose considerably year-on-year, up by 22.6% from Euro 1.5m in 2009 to Euro 1.8m in the 2010 financial year. One of the reasons for this increase is that tax loss carryforwards that could be used during the previous year have now been used up and can no longer be applied in their full amount. Moreover, expenses for writing down receivables with the foreign subsidiaries are not tax-deductible. As a result of these two effects, the tax measurement basis, and thus the tax burden, rose compared with the previous year.

As a result, the net income of the secunet Group in 2010 was down 25% from the previous year, at Euro 1.8m compared with a previous figure of Euro 2.4m. The (diluted and undiluted) earnings per share fell from Euro 0.37 to Euro 0.28.

Based on the accounting rules in the German Commercial Code (Handelsgesetzbuch, HGB), secunet AG posted revenue of Euro 58.9m compared with Euro 62.4m during the previous year (-5.6%). This negative trend is in line with the general trend in the Group. The development in the income statement items of other operating income, cost of materials, personnel expenses, depreciation and other operating expenses also corresponded with the development in the secunet Group as a whole. The main difference compared with the income statement for the Group relates to the financial result. In the case of secunet Security Networks AG, the financial result improved from Euro -1.8m to Euro -1.1m. This improvement was due to the much lower write-downs on loans extended to foreign subsidiaries by secunet AG in 2010 compared with the situation in 2009. This effect does not apply at Group level as a result of the consolidation process. By contrast, at Group level, the financial result was only improved by around Euro 0.1m. secunet Security Networks AG therefore posted earnings before income tax of Euro 3.6m for the financial year 2010, compared with Euro 2.8m during the previous year. Net income was up from Euro 1.7m in 2009 to Euro 2.1m in the reporting year. Diluted and undiluted earnings per share in 2010 were Euro 0.33, compared with Euro 0.26 the previous year.

2.3. Order book

The order book as at 31 December 2010, with orders totalling Euro 26.2m, was substantially down from the previous year's level of Euro 30.3m. Changes in the order book occurred as a result of the processing of existing orders (decrease) and new incoming orders (increase). The reason for the decline in the order book versus the previous year's level is, on the one hand, active processing of existing orders, which also include major orders. On the other hand, as a result of the previously mentioned postponement of large orders, in the case of the German army in particular, incoming order volumes were not high enough to reattain the level of the previous year's order book.

In the 2009 Annual Report, the Company's Management Board expected ongoing stable revenue in 2010 with no change in earnings before interest and tax compared with the previous year. However, the actual results achieved did not match this expectation, primarily as a result of postponed purchasing related to large-scale projects of secunet Security Networks AG. These delays were due above all to the ongoing restructuring of public-sector budgets, in particular on the part of the German army, a major customer. Considering these operating conditions, the Management Board assesses overall business performance in 2010 as satisfactory.

3. CAPITAL EXPENDITURE

Capital expenditure primarily relates to investments in intangible assets and property, plant and equipment. Spending was mainly on the procurement of new and replacement hardware, software and other business equipment. Capital expenditure in 2010 was Euro 1.2m, up 28% on the prior-year figure (Euro 1.0m). Investments were made using cash and cash equivalents.

4. FINANCIAL POSITION AND NET ASSETS

The secunet Group's total assets fell from Euro 43.5m as at 31 December 2009 to Euro 42.2m as at 31 December 2010.

On the assets side of the balance sheet, cash and cash equivalents as at 31 December 2010 totalled Euro 14.3m, a slight fall of 2% compared with the Euro 14.7m recognised as at 31 December of the previous year.

Receivables as at 31 December 2010 fell by 7% to Euro 19.0m compared with Euro 20.4m as at the previous year-end. Traditionally, secunet records most of its business during the fourth quarter, specifically in the month of December. Very high levels of revenue were recorded in December 2009, which were not matched during the 2010 reporting year. The reduction in trade receivables reflects this drop in revenue proportionately.

Inventories increased considerably. To maintain delivery capacity in the fourth quarter, which is normally a period of high sales, secunet built up its inventories to higher levels. Given the postponement of major orders, these inventories have not been required.

Deferred tax assets fell due to loss carryforwards being applied to the positive result. Additionally, a portion of the deferred tax assets was reversed as it could not be used.

All other items on the assets side of the balance sheet are largely unchanged.

On the liabilities side of the balance sheet, the proportion of equity rose slightly. The equity ratio increased by 6 percentage points from 53% to 59%.

Trade payables fell considerably, down by 36% or approximately Euro 3.7m. This clearly shows that the large-scale *SINA* projects, which dominated the year-end business during the previous year and resulted in high costs of materials, were substantially down in 2010. This meant that liabilities for goods received also fell as at the year-end.

There was little change with regard to other provisions, which totalled Euro 5.3m as at 31 December 2010 compared with Euro 5.4m in the previous year. The key components of this balance-sheet item are variable remuneration components, outstanding incoming invoices, employee anniversaries and expenses in conjunction with the closure of the Swiss subsidiary, secunet SwissIT.

The net income achieved in 2010 reduced the Group loss carry-forward, which fell by Euro 2.4m to Euro 5.1m as at 31 December.

secunet did not take out any loans in either 2009 or 2010; all spending was financed with cash. Equally, it does not have any loans dating from earlier periods, so the debt/equity ratio remains at 0%. As a security for customers in connection with large orders and for guarantees (e.g. in relation to landlords of office premises), secunet Security Networks AG has access to a guarantee credit at its house bank. As at 31 December 2010, the amount of this credit was Euro 1.8m (previous year: Euro 1.8m). To date, no use has been made of the guarantee credit.

There is no separate commentary on the balance sheet structure of secunet Security Networks AG as the key balance sheet items largely correspond to those of the secunet Group.

Cash flow from operating activities rose from Euro -0.1m in the previous year to Euro 0.9m. This increase was mainly due to the change in receivables and payables, and the associated incoming and outgoing payments, compared with the previous year. Cash flow from investment activities totalled Euro -1.3m, and cash flow from financing activities amounted to Euro 0.1m. There were no material changes to either item compared with 2009.

This resulted in an overall decrease in cash and cash equivalents of Euro 0.3m in 2010. Cash and cash equivalents as at year-end 2010 therefore totalled Euro 14.3m.

The Company and Group's financial management is based as a general rule on the provisions and requirements of company law. The aim is to ensure that all Group companies can operate as going concerns. Consequently, the Group and its companies were at all times in a position to meet their payment obligations. Cash and cash equivalents are invested in accordance with a strict principle of minimising risk.

At the time of preparation of this report, the management believes that the Company is in a good position. secunet operates in a growth market, offers a competitive portfolio of products and services, and the Company's structures – particularly the Group's employees – are exceptionally well qualified and efficient.

5. EMPLOYEES

The creativity, motivation and integrity of our employees are a crucial factor for our Company's success. Their commitment, flexibility and expertise are among our proven strengths.

As at the end of 2010, the number of secunet Group employees was 288, four people or around 1.4% more than at the end of 2009. The increase was mainly in employees on the production side – the positions filled were mainly in the areas of consulting and development, paving the way for optimised structures in production and sales-related areas.

secunet's employees are highly qualified and have an excellent training background. Our experts have extensive practical experience in project and development work. In addition, secunet places considerable emphasis on the further training of its employees, so that their level of knowledge is in line with the latest developments in the relevant field.

The company attaches great importance to cooperative management that takes the needs and qualifications of employees into account. Management by Objectives (MbO), a management technique in which the management of staff is based on the achievement of objectives, is firmly established at secunet. It involves both top-down and bottom-up objectives. The top-down objectives are set by the management. Bottom-up objectives are derived from these and agreed between business unit heads and individual employees. An annual review takes place to check that the agreed objectives have been achieved and to assess the results, and a part of each employee's variable remuneration is calculated on this basis.

6. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

7. RISK REPORT

7.1. Risk management objectives and methods

Risk management at secunet Security Networks AG is conducted by a risk committee. This committee is composed of the Management Board, the business unit heads and the commercial director, and holds regular, quarterly meetings. All developments that could pose a risk for the achievement of targets or could even jeopardise the continued existence of the Company are examined in depth by the committee. The objective is to obtain information as early as possible about risks and their financial implications, while at the same time identifying and exploiting existing opportunities and the earnings growth potential that they bring, as part of the planning and control process.

Company-specific risks are assessed at risk committee meetings on the basis of the associated potential loss and the probability of occurrence. Proposals for countermeasures are then drawn up. The Management Board examines these measures and implements them promptly.

7.2. Individual risks

7.2.1. Competitive environment

Risks relating to the competitive environment arise where secunet's technological market leadership is jeopardised. The risk committee therefore keeps itself up to date regarding the status of technological development of secunet's products and asks the opinion of expert employees on whether and to what extent the Company's technological advantage is threatened by competitors' product developments.

Competitive environment risks also arise where rival companies attack secunet's market position in business with government agencies. Competitors might, for instance, seek to secure a similar market position in business with government authorities (for example, as a security partner to the German Federal Government). This would expose secunet to much greater competitive pressure in this target customer segment.

7.2.2. Customer structure

Customer structure risk is present to the extent that secunet still conducts the majority of its business with public sector authorities and organisations. A drop-off in demand from this customer group could have a negative effect on sales and earnings. This risk has been discussed in depth by the risk committee. Investment in IT, and notably in IT security, is seen as particularly important for the smooth delivery of projects for the public sector, particularly in a world where IT plays an increasingly important role. The risk of a downturn in demand from public sector customers is therefore constantly monitored, although it is currently considered to be relatively low.

In order to be better able to react to any possible downturn in demand from public sector customers in the medium term, or to reduce and compensate for the fall in revenue and earnings arising from such a downturn, secunet continues to place great emphasis on expanding its business with the private sector target group.

7.2.3. Development risks
The risks associated with developing new products that subsequently prove unsuccessful in the market are not regarded as being of primary significance for secunet. Its IT security solutions are tailored precisely to customers' requirements; secunet products are rarely designed without a specific need in mind. Most of the products developed by secunet are in fact made to order and are financed accordingly by the customer. This refers mainly to the *SINA* range of products in the High Security business unit, but also to secunet multisign, for example, the Company's solution for the mass generation of qualified electronic signatures developed from projects relating to the creation of various trust centres. The product innovations in the area of biometric and electronic ID documents, for example the biometric middleware application secunet biomiddle and the Golden Reader Tool platinum edition, also originated from consulting-related activities.

7.2.4. Sales structure risk
Sales and marketing are seen as a risk for secunet because the Company's business performance still depends heavily on revenue from new customers or from individual newly awarded projects. To this extent, efficient sales and marketing also represents an opportunity to boost the Company's performance. At the same time, sales and earnings may be jeopardised if the sales force is too small or does not meet customers' needs. These risks are assessed regularly.

7.2.5. Public-sector pricing law
A substantial portion of secunet AG's revenue is subject to the German Prices Act (Preisgesetz, PreisG). Price reviews conducted in the past have only resulted in immaterial repayments.

No risks that threaten the continued existence of the Company have currently been identified.

7.3. Description of the key features of the internal control and risk management system in relation to the Group accounting procedure (Section 289 (5) and Section 315 (2) Clause 5 HGB)

7.3.1. Elements of the internal control and risk management system
The secunet Group's internal control system includes all principles, procedures and measures for ensuring the effectiveness, efficiency and correctness of the accounting system and for ensuring compliance with the applicable legal provisions.

The secunet Group's internal control system consists of an internal control system and an internal monitoring system. The Management Board of secunet Security Networks AG – in its function as the managing body of the Company – has appointed managers responsible for the secunet Group's internal control system, in particular in the areas of controlling, finance and human resources that are run by secunet Security Networks AG.

Process-integrated and process-independent monitoring measures are the cornerstone of the secunet Group's internal monitoring system. In addition to manual process controls – such as the "four-eye principle" – automatic IT process controls are also a key feature of the process-integrated measures. Process-integrated monitoring is ensured by committees, such as the risk committee, and by specific Group functions, such as the legal department.

The Supervisory Board and the Group internal auditors of secunet Security Networks AG are involved in the secunet Group's internal monitoring system through process-independent auditing functions.

7.3.2. Use of IT systems
The majority of accounting procedures are recorded in the individual financial statements of the Group companies of secunet Networks AG by local accounting systems developed by SAP.

7.3.3. Specific Group accounting-related risks
Specific risks related to Group accounting may arise, for example, from the conclusion of unusual or complex transactions or from business events that are not handled on a routine basis.

7.3.4. Key regulatory and controlling activities for ensuring the correctness and reliability of Group accounting
Controlling activities for ensuring the correctness and reliability of the accounting system include, for example, the analysis of data and developments using specific key figure analyses. The separation of administrative, management, billing and approval functions and their implementation by different people reduces the possibility of fraud. The organisational measures also focus on recording restructuring or changes in the business activities of individual business units properly and in good time in the Group accounts. They also ensure that, in the event of changes to the IT systems used for accounting in the Group companies, accounting procedures are fully recorded within the reporting period to which they relate. The internal control system also ensures that changes within the economic or legal environment of the secunet Group are represented and that new or amended legal provisions on Group accounting are applied.

The secunet Group accounting principles, which include compliance with International Financial Reporting Standards (IFRS), ensure that the companies included in the Consolidated Financial Statements of secunet Security Networks AG follow consistent accounting and measurement policies.

At Group level, the specific controlling activities designed to ensure the correctness and reliability of Group accounting include the analysis and correction, if necessary, of individual financial statements submitted by the Group companies, with due consideration for the reports created by the auditors and the meetings at which the financial statements are discussed.

The internal control system measures focussing on the correctness and reliability of Group accounting ensure that business transactions are recorded in good time and in accordance with the law and the Articles of Association. They also ensure that inventories are carried out properly, and that assets and debts are properly recognised, measured and reported in the Consolidated Financial Statements. Regulatory activities also ensure that reliable and transparent information is made available in the accounting documents.

7.3.5. Restrictive details

Internal control and risk management allows complete recording, preparation and evaluation of company-related data and the proper representation of that data in the Consolidated Financial Statements through the organisation, control and monitoring structures within the secunet Group.

In particular, individual discretionary decisions, defective controls, criminal actions or other circumstances cannot be ruled out and may lead to limited effectiveness and reliability of the internal control and risk management system used to the extent that the Group-wide application of the system cannot absolutely guarantee the correct, complete and timely recording of facts in the consolidated financial statements.

8. FORECASTS

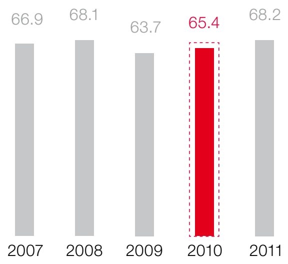
“In its annual projection for 2011 the German Federal Government expects the upturn of the previous year to continue with 2.3% growth in the price-adjusted gross domestic product. The German economy is therefore growing markedly more strongly than the eurozone average. Nevertheless, the growth momentum can be expected to be somewhat more subdued than in the previous year due to the slightly weaker impetus from the global economy. (Annual Economic Report 2011, Federal Ministry of Economics and Technology [Bundesministerium für Wirtschaft und Technologie, BMWi])

As before, ongoing risks to the upturn stem primarily from global economic trends. Given its openness and its international linkages, the German national economy continues to be strongly influenced by the world economy. Global economic growth can be expected to lose some momentum this year.”

The forecasts from the BITKOM industry association are also positive for the coming year: 84% of companies in the German information and telecommunications market expected their sales to increase in 2011, with 9% anticipating stable sales levels and only 6% expecting their sales to fall. BITKOM expects to see a rise in demand among both commercial and private consumers.

Information technology market volume*

in Euro billions



* IT hardware, software, IT services
Source: BITKOM

BITKOM identifies IT service-providers as a key driver of growth, expecting the vast majority to experience a rise in revenues. Consumer interest in cloud computing is said to be particularly keen, with high investment levels expected over the short to medium term. This is also expected to result in new business and services models.

In general, there is a close link between sales in IT security and in the IT sector as a whole. Looking to 2011, the BITKOM industry association expects growth of 4.2% for software and 4.6% for IT services in Germany – both areas in which secunet operates. Based on this forecast, the positive development on the ICT market as a whole in 2010 can be expected to continue.

Therefore, IT security looks set to continue to be a growth market, and the main drivers of this growth remain in place, namely:

- the general need for basic protection for IT and communications installations,
- the ever-increasing threat of attacks on the security of infrastructure and systems,
- the high and increasing dependence of companies, authorities and organisations on their IT systems: loss of service can have critical consequences for their ability to conduct their business,
- the increase in industrial espionage, which can also be a source of massive losses,
- the equipping of new products and solutions with the necessary security systems,
- the ground that still needs to be made up in many areas of IT where security has not been a priority for a number of years.

Our goal is to achieve further long-term growth coupled with an appropriate level of profitability. We intend to reach this goal by implementing the following measures:

- **Continued expansion of the *SINA* product range**
  secunet’s main product remains its Secure Inter-Network Architecture *SINA*. In this area, which in view of its importance is run as a separate business unit, High Security, we want to remain at the technological leading edge and build on our existing competitive advantage. In addition to the proven product lines, the extension of the product range also offers great market potential.

Rising demand on the part of new and existing customers, translating into further volume growth, is opening up the potential to unlock benefits of scale. This growth process is supported by the fact that, by virtue of its size, the High Security business unit is able to use increasingly industrial methods originating from large-scale series production.

- **Broadening the product range**
  We are already achieving good results with our other products, such as the biometric multi-application platform secunet biomiddle or the mass signature solution secunet multisign.

  Further new products should emerge in response to our customers' needs and new challenges in IT security. Technical and sales partnerships are already in place to ensure efficient design and marketing of these solutions. We are seeking more partnerships of this nature.

- **Expansion of the sales organisation in Germany**
  Sales in secunet's individual business units have been successfully expanded in the last few years, but there is also scope for optimisation both in Private Sector and Public Sector. We want to unlock the gains from that potential.

- **Stabilising and expanding international business**
  International business is an important part of our growth strategy. Our focussed international sales team and our partners in various countries provide ongoing support for the *SINA* product line. Our expertise in the field of biometrics and electronic ID documents is also increasingly enabling us to reach customers outside Germany. Demand abroad depends to a great extent on how the global economy develops. In addition, IT security is a time-consuming business, involving long-term decision-making. It is therefore especially difficult to predict how foreign business will develop.

- **Targeted acquisitions**
  The Management Board of secunet is continuing to closely monitor market consolidation and looking into attractive opportunities.

The macroeconomic environment will continue to be crucial to our Private Sector division in financial year 2011. Its development will have a crucial impact on the extent to which the decision-makers in the private sector gear their investment approach to growth in the economy and/or growth in their sectors. Future concepts such as cloud computing, smart grid and data loss prevention should continue to generate a growth in demand and drive up business.

Sales performance in the Public Sector division is influenced by the demand for IT security from public sector customers, which is likely to remain high in the years to come. Demand in the High Security business unit is fundamentally driven by the market; we therefore expect further growth in this area. Nevertheless, major customers and the large orders that they place are key aspects of an optimistic forecast. The fall in sales recorded during financial year 2010 as a result of postponed projects for the German army made this all too clear. Government business remains heavily influenced by the situation related to public spending. Our prognosis for the future continues to be based on two contradictory trends. On the one hand, the debate over budget consolidation could have a detrimental effect on growth in the Government division. On the other, there will be further progress made in future with regard to the introduction of electronic ID cards, the expansion of the government's networks, the general securing of e-government applications and other major infrastructure projects. We expect this to revive and increase demand.

In 2010 the secunet Group faced declines in its revenue and income. The basic economic situation, coupled with the outlook for the IT security sub-markets in which secunet operates, make us essentially optimistic as we look to the financial year 2011. There is still uncertainty surrounding the dominance of project business, even though secunet is increasingly generating sales from its own products. The volatility of project business makes it hard to forecast sales and earnings. In terms of product business, we will again be strongly dependent on major customers and their procurement decisions, as was the case last year.

In light of the planned liquidation of the foreign subsidiaries in 2011, the forecasts for the coming financial years relate to both secunet AG and the secunet Group.

For 2011, the Management Board expects revenue to be maintained at a stable level compared with 2010 with a rise in earnings before interest and tax (EBIT). The planned improvement in earnings is to be primarily achieved by increasing capacity utilisation and through cost-saving measures.

Looking ahead to 2012, the Management Board expects revenue to increase, both domestically and on the international markets. This is to be achieved by optimising sales activities on the domestic market and by means of a consistent internationalisation strategy. In addition, on the core German market, the Private Sector division (Business Security and Automotive Security) is to be expanded. The Management Board is planning for the EBIT margin in 2012 to be constant in comparison to the previous year.

This report contains forward-looking 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.

Essen, 22 March 2011

Dr Rainer Baumgart Thomas Koelzer Thomas Pleines

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET OF SECUNET SECURITY NETWORKS AG (ACCORDING TO IFRS) AS AT 31 DECEMBER 2010

Assets
in Euro

	Note	31 Dec 2010	31 Dec 2009
Current assets			
Cash and cash equivalents	(1)	14,344,166.94	14,669,268.94
Trade receivables	(2)	19,038,529.91	20,421,737.09
Intercompany receivables	(2)	145,262.57	835,033.11
Inventories	(4)	2,292,690.79	1,099,332.02
Other current assets	(2)	89,161.47	229,611.56
Current tax assets		0.00	36,920.11
Total current assets		**35,909,811.68**	**37,291,902.83**
Non-current assets			
Property, plant and equipment	(3)	1,612,067.15	1,467,290.48
Intangible assets	(3)	288,983.80	207,374.26
Goodwill	(3)	2,950,000.00	2,950,000.00
Non-current financial instruments	(5)	1,144,215.00	1,011,725.61
Deferred tax assets	(6)	277,540.53	581,141.30
Total non-current assets		**6,272,806.48**	**6,217,531.65**
Total assets		**42,182,618.16**	**43,509,434.48**

Liabilities

in Euro

	Note	31 Dec 2010	31 Dec 2009
Current liabilities			
Trade payables	(7)	6,408,971.43	10,060,261.34
Other provisions	(9)	5,338,837.60	5,456,110.17
Current tax liabilities	(7)	769,236.56	167,800.00
Other current liabilities	(7)	1,432,933.93	2,047,484.11
Deferred income	(7)	1,155,969.43	1,041,401.68
Total current liabilities		**15,105,948.95**	**18,773,057.30**
Non-current liabilities			
Deferred tax liabilities	(6)	136,892.38	25,707.47
Provisions for pensions	(8)	1,820,684.56	1,500,760.36
Other provisions	(9)	103,779.00	0.00
Total non-current liabilities		**2,061,355.94**	**1,526,467.83**
Equity			
Share capital	(10)	6,500,000.00	6,500,000.00
Capital reserves	(10)	21,922,005.80	21,922,005.80
Treasury shares	(10)	-103,739.83	-103,739.83
Group loss carryforward		-5,127,020.82	-7,536,158.03
Group profit		1,817,930.67	2,409,137.21
Accumulated other comprehensive income / loss	(10)	6,137.45	18,664.20
Total equity		**25,015,313.27**	**23,209,909.35**
Total liabilities		**42,182,618.16**	**43,509,434.48**

CONSOLIDATED INCOME STATEMENT OF SECUNET SECURITY NETWORKS AG (ACCORDING TO IFRS) FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

in Euro	Note	01 Jan – 31 Dec 2010	01 Jan – 31 Dec 2009
Revenue	(11)	59,455,657.67	63,958,056.63
Other operating income	(12)	2,234,417.59	577,029.38
Cost of materials/cost of purchased services	(13)	-22,025,732.66	-26,690,683.25
Staff costs	(14)	-23,381,235.13	-22,206,845.31
Depreciation and amortisation	(3)	-975,833.16	-818,035.79
Other operating expenses	(15)	-11,735,629.53	-10,893,697.24
Operating profit		**3,571,644.78**	**3,925,824.42**
Interest income	(16)	74,586.71	78,017.94
Interest expense	(16)	-13,879.62	-44,549.63
Foreign currency gains/losses		28,293.36	-47,178.26
Profit before tax		**3,660,645.23**	**3,912,114.47**
Income taxes	(6), (17)	-1,842,714.56	-1,502,977.26
Profit/loss for the period		**1,817,930.67**	**2,409,137.21**
Earnings per share (diluted/undiluted)		0.28	0.37
Average number of shares outstanding (diluted, undiluted, units)		6,469,502	6,469,502

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES OF SECUNET SECURITY NETWORKS AG (ACCORDING TO IFRS) FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

in Euro	Note	01 Jan – 31 Dec 2010	01 Jan – 31 Dec 2009
Group profit		1,817,930.67	2,409,137.21
Currency translation differences (change not recognised in profit and loss)	(10)	-12,526.75	-29,174.66
Total recognised income and expenses (consolidated comprehensive income/loss)		**1,805,403.92**	**2,379,962.55**

CONSOLIDATED CASH FLOW STATEMENT OF SECUNET SECURITY NETWORKS AG (ACCORDING TO IFRS) FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

in Euro	01 Jan – 31 Dec 2010	01 Jan – 31 Dec 2009
Cash flow from operating activities		
Earnings before tax (EBT)	3,660,645.23	3,912,114.47
Depreciation and amortisation	975,833.16	818,035.79
Change in provisions	306,430.63	2,543,245.80
Book gains/losses (net) on the sale of intangible assets and of property, plant and equipment	-23,034.00	384.00
Interest result	-60,707.09	-33,468.31
Change in receivables and other assets and prepaid expenses	1,003,402.53	-8,571,685.69
Change in payables and deferred income	-4,168,705.34	1,775,816.34
Tax paid	-789,572.22	-532,540.37
Net cash generated from operating activities	**904,292.90**	**-88,097.97**
Cash flow from investing activities		
Purchases of intangible assets and of property, plant and equipment	-1,224,732.87	-957,466.14
Gains from sale of intangible assets and of property, plant and equipment	45,547.50	42.00
Purchases of financial assets	-132,489.39	-221,311.71
Gains from sale of financial assets	0.00	8,363.42
Net cash generated from investing activities	**-1,311,674.76**	**-1,170,372.43**
Cash flow from financing activities		
Interest received	73,820.22	78,017.94
Interest paid	-13,879.62	-44,549.63
Net cash generated from financing activities	**59,940.60**	**33,468.31**
Effects of exchange rate changes on cash and cash equivalents	22,339.26	1,241.38
Net decrease in cash and cash equivalents	**-325,102.00**	**-1,223,760.71**
Cash and cash equivalents at the beginning of the period	14,669,268.94	15,893,029.65
Cash and cash equivalents at the end of the period	**14,344,166.94**	**14,669,268.94**

For further explanations, see note (18).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SECUNET SECURITY NETWORKS AG (ACCORDING TO IFRS) FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2010

in Euro	Share capital	Capital reserves	Treasury shares	Net accumulated losses	Accumulated other comprehen-sive income/loss	Total
Equity at 31 Dec 2008	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**-7,536,158.03**	**47,838.86**	**20,829,946.80**
Comprehensive income/loss 1 Jan – 31 Dec 2009				2,409,137.21	-29,174.66	2,379,962.55
Equity at 31 Dec 2009	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**-5,127,020.82**	**18,664.20**	**23,209,909.35**
Comprehensive income/loss 1 Jan – 31 Dec 2010				1,817,930.67	-12,526.75	1,805,403.92
Equity at 31 Dec 2010	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**-3,309,090.15**	**6,137.45**	**25,015,313.27**

For further information on the development of the Group's equity, see Note (10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SECUNET SECURITY NETWORKS AG FOR FINANCIAL YEAR 2010 (ACCORDING TO IFRS)

General principles

Reporting company

secunet Security Networks Aktiengesellschaft (secunet AG) is registered with the district court in Essen, Germany (under HRB 13615). It is a listed company in the “Prime Standard” segment of the regulated market in Frankfurt. The address of the Company’s registered office is secunet Security Networks Aktiengesellschaft, Kronprinzenstraße 30, 45128 Essen, Germany.

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

Declaration of compliance with the IFRS

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The requirements of Sections 315 and 315a para. 1 of the German Commercial Code (Handelsgesetzbuch, HGB) have been met. The IFRS consist of the IFRS as newly issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC). All standards and interpretations issued by the IASB and applicable at the time of the preparation of the Consolidated Financial Statements have been implemented, provided that they have been endorsed by the EU. In this respect the Consolidated Financial Statements of secunet AG comply with IFRS.

The Consolidated Financial statements and Company and Group Management Report were released by the Management Board on 22 March 2011 following their preparation.

Disclosure

The Consolidated Financial Statements – as well as the Annual Financial Statements of secunet AG – are filed with the operator of the electronic Federal Gazette and subsequently announced there. They are available for download on the website **www.secunet.de**. They may also be requested from secunet AG at the above address or inspected at the Company’s business premises.

Parent company

The parent company is Giesecke & Devrient GmbH based in Munich, Germany. It holds a direct share of 78.96% in secunet AG.

The Consolidated Financial Statements of secunet AG are included in the Consolidated Financial Statements of Giesecke & Devrient Holding GmbH, Munich, which prepares the consolidated financial statements for the largest group of companies. The Consolidated Financial Statements of Giesecke & Devrient Holding GmbH are filed with the operator of the electronic Federal Gazette.

First-time adoption of new and modified standards and interpretations

Compared with the Consolidated Financial Statements as at 31 December 2009, the following new and modified standards and interpretations were to be applied for the first time following the EU endorsement or entry into force of the standard / interpretation:

Standard / Interpretation	Key amendment	Entry into force for financial years commencing on or after:
Modified standards		
IFRS 1	Revision and restructuring of the standard	1 July 2009
IFRS 1	Changes in relation to oil and gas assets and determination of whether an arrangement contains a lease	1 January 2010
IFRS 2	Recognition of cash-settled share-based payments in the Group	1 July 2009
IFRS 3	Comprehensive revision, requiring application of acquisition method of accounting	1 July 2009
IFRS 5	Disclosures on non-current assets (or asset groups) held for sale and on discontinued operations	1 January 2010
IFRS 5	Disposal plan for the controlling interest in a subsidiary	1 July 2009

Standard / Interpretation	Key amendment	Entry into force for financial years commencing on or after:
IFRS 8	Clarification of obligatory disclosures on segment assets	1 January 2010
IAS 1	Classification of convertible instruments as current / non-current	1 January 2010
IAS 7	Classification of expenses from unrecognised assets	1 January 2010
IAS 17	Classification of leases for land and buildings	1 January 2010
IAS 18	Determination of whether an entity is acting as a principal or agent	1 January 2010
IAS 27	Reporting of transactions with minority shareholders	1 July 2009
IAS 36	Unit of accounting for goodwill impairment test	1 January 2010
IAS 38	Measurement of fair value of intangible assets acquired as a result of a business combination	1 July 2009
IAS 38	Revisions resulting from IFRS 3 (revised in 2008)	1 January 2010
IAS 39	Treatment of early repayment fees as a closely related embedded derivative	1 July 2009
IAS 39	Clarification of hedge accounting	1 January 2010
New interpretations		
IFRIC 12	Service concession agreements	1 January 2010
IFRIC 15	Agreements for the construction of real estate	1 January 2010
IFRIC 16	Hedges of a net investment in a foreign operation	1 January 2010
IFRIC 17	Distributions of non-cash assets to owners	1 November 2009
IFRIC 18	Transfer of assets from customers	1 November 2009
Modified interpretations		
IFRIC 9	Scope of IFRIC 9 and IFRS	1 July 2009
IFRIC 16	Changes with regard to the restrictions on companies that may hold hedging instruments	1 July 2009

The application of the modified standards and of the new or modified interpretations did not have any material impact on the Consolidated Financial Statements.

New accounting rules

The following standards and interpretations had been published as at 31 December 2010 but were either not yet required to be applied in accordance with the provisions of the respective standard or interpretation, or had not yet been endorsed by the EU.

Standard / Interpretation	Key amendment	First-time adoption
New standards (still to be endorsed by EU)		
IFRS 9	New classification and measurement rules for financial assets and liabilities	2013 financial year
Modified standards (already endorsed by the EU)		
IFRS 1	Exceptions with regard to comparative figures in IFRS 7 for first-time adopters	2011 financial year
IAS 24	Clarification of the definition of a related company or party and easing of the disclosure requirements for particular companies	2011 financial year
IAS 32	Recognition of subscription rights	2011 financial year
Modified standards (not yet endorsed by the EU)		
IFRS 7	Disclosures – transfer of financial assets	2012 financial year
Annual improvements 2010	Various individual changes 2010	2011 financial year
New or modified interpretations (already adopted by the EU)		
IFRIC 14	Prepaid contributions in the context of minimum funding requirements	2011 financial year
IFRIC 19	Extinguishing financial liabilities with equity instruments	2011 financial year

No use was made of the option allowing early adoption of standards and interpretations.

secunet AG does not expect the application of standards and interpretations that had been published as at the balance sheet date but were not yet applicable or had not yet been endorsed by the EU to have any material impact on its net assets, financial position or results of operations in future. With regard to IFRS 9, a final review of the impact of the standard on the Consolidated Financial Statements is still outstanding.

Accounting principles
The present Consolidated Financial Statements as at 31 December 2010 have been prepared using the same accounting and measurement methods and the same methods of computation as in the previous year. Items in the balance sheet as at 31 December 2010 are classified by maturity, and items in the income statement are classified by the nature of expense. In order to improve the clarity of presentation, various items in the consolidated balance sheet and consolidated income statement have been summarised and are explained in the notes.

The Consolidated Financial Statements of secunet AG are presented in Euro. All amounts are stated in Euro, unless indicated otherwise.

Consolidated group
In addition to secunet AG, all significant subsidiaries over which secunet AG has the power to govern the financial and operating policies are included in the Consolidated Financial Statements. In the reporting year and in the previous year, there were no minority interests in equity or in profit or loss for the period.

As at 31 December 2010, the consolidated group consisted of the parent company secunet AG and two subsidiaries, as in the previous year.

In accordance with IFRS, the subsidiaries report the following figures:

- secunet SwissIT AG, Switzerland, Solothurn, 100% participation, equity of the company kCHF -374,
  net income for 2010 kCHF 43

- secunet s.r.o., Czech Republic, Prague, 100% participation, equity of the company kCZK -7,412,
  net income for 2010 kCZK -15,892

Secunet Inc., USA, Austin, Texas, 100% participation (shelf company) is no longer operational and has not been consolidated since financial year 2002 on the grounds that it is not material.

The Group's accounting and measurement policies are applied consistently to the financial statements of secunet AG and of the foreign subsidiaries included in the consolidated financial statements. The reporting date for secunet AG and for all consolidated companies is 31 December 2010.

Basis of consolidation
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. When consolidated for the first time, the price of the acquisition is offset against the remeasured equity. The assets and liabilities of the acquired subsidiary are recognised at their fair values. Any remaining difference is recognised as goodwill in accordance with IFRS 3 and subjected to an annual impairment test.

Expenses and income and receivables and payables between the consolidated companies are eliminated. Intercompany profits are eliminated unless they are immaterial.

Write-downs of shares in consolidated companies that have been carried out in individual financial statements as well as intercompany receivables are reversed within the framework of consolidation.

Presentation currency
The Group's presentation currency is Euro.

Subsidiaries' annual financial statements prepared in foreign currency are translated in accordance with the functional currency concept. In the Consolidated Financial Statements, the balance sheet items of all foreign companies are translated from the local currency into Euro at the average exchange rates prevailing at the balance sheet date, as the foreign companies included in the Consolidated Financial Statements conduct their business independently in their local currencies. Differences versus the prior-year translation are recognised directly in equity under the item "Accumulated other comprehensive income/loss". Expense and income items are translated at average yearly exchange rates.

For the currency translation, the following exchange rates were used in respect of currencies of countries not belonging to the European Monetary Union.

1 Euro =	CHF	CZK
31 Dec 2010	1.2466	25.2650
Average	1.3732	25.2992

Financial instruments
Financial assets and financial liabilities are recognised if a Group company is party to the agreement on the financial instrument.

Financial assets or liabilities are initially recognised at the cost of acquisition, which corresponds to their fair value plus transaction costs.

They are grouped into one of the following categories at the time of acquisition:

- Loans and receivables;
- Financial liabilities measured at amortised cost;
- Financial assets measured at fair value through profit or loss.

Loans and receivables and financial liabilities measured at amortised cost
These are non-derivative financial assets or liabilities with fixed or determinable payments that are not listed on an active market. These are measured at amortised cost minus any required impairments using the effective interest method.

Loans and receivables encompass trade receivables, cash and cash equivalents and other current assets.

Financial liabilities measured at amortised cost encompass trade payables and other current liabilities.

Financial assets measured at fair value through profit or loss
Financial assets are measured at fair value through profit or loss if the financial asset is either held for trading purposes or is designated as being measured at fair value through profit or loss.

Financial assets are not currently held for trading purposes.

A financial asset is designated as being measured at fair value through profit or loss if this approach substantially reduces or removes any inconsistencies with regard to measurement and disclosure that would otherwise arise.

Financial assets that are measured at fair value through profit or loss include other financial assets. These include the premium reserve shares from reinsurance contracts, which are measured at their surrender value.

Financial assets measured at fair value through profit or loss are measured at fair value. Any profit or loss resulting from the measurement is recognised in the income statement. The net profit or loss recorded includes any dividend or interest from the financial asset and is reported under “Other operating income/other operating expenses” in the Consolidated Income Statement.

Loans and receivables and financial assets are derecognised when the Company gives up control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Details of the type of financial instruments including material contractual agreements on maturities and other terms and conditions that may affect the amount, timing and probability of occurrence of future cash flows are given elsewhere in these notes (Note 2).

If, in the case of financial assets measured at amortised cost, there are objective and substantial grounds for impairment, a test is carried out to determine whether the carrying amount exceeds the present value of the expected future cash flows. Indications of impairment include a material deterioration in credit rating, significant delays in payment or the insolvency of the borrower.

Cash and cash equivalents
The Group regards all highly liquid assets whose withdrawal or usage is not restricted as cash and cash equivalents. Alongside cash in hand and deposits held at call with banks, these also include short-term bank deposits with original maturities of three months or less.

Inventories
Inventories, which consist almost exclusively of merchandise, are measured at the lower of cost or net realisable value less costs not yet incurred. Cost is calculated in accordance with the weighted average cost method.

Property, plant and equipment
Property, plant and equipment consists exclusively of office and operating equipment and is measured at historical cost less accumulated depreciation. When items of property, plant and equipment are disposed of or retired, their historical costs, accumulated depreciation and impairment are eliminated from the balance sheet and the gain or loss resulting from their sale is recognised in the income statement. Historical costs also include individually attributable additional and subsequent costs of acquisition. Purchase price reductions are offset.

Subsequent costs are only included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is based on the useful economic life and is between three and ten years. Depreciation is on a straight-line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets
Intangible assets with a finite useful life are measured at historical cost plus additional costs of acquisition less accumulated amortisation calculated using the straight-line method. Acquired software is amortised over three years.

Costs incurred in preserving the original economic benefits of existing software systems are recognised as an expense when the maintenance work is carried out.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

Under IFRS 3 in conjunction with IAS 36 and IAS 38, goodwill is not amortised but is instead subjected to an annual impairment test and carried at cost less accumulated impairment losses.

Where a cash-generating unit is sold, the relevant share of goodwill attributable to that unit is taken into account when calculating the profit from the sale.

Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of the impairment test, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where there is an indication that the impairment no longer exists or has decreased, the impairment reversal is recognised as income in the income statement for the asset in question. There were no impairments or impairment reversals in the reporting year.

In impairment testing, goodwill acquired in a business combination is allocated to those cash-generating units that are expected to benefit from the synergies arising from the business combination. Impairment testing is carried out on an annual basis and additionally whenever there are indications of impairment in the respective cash-generating unit.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, the carrying amount of the goodwill allocated to this cash-generating unit must be reduced by the amount of the difference. Impairment losses already recognised are not reversed in this process. If the impairment of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the remaining impairment loss is recognised by reducing, on a pro-rata basis, the carrying amounts of the cash-generating unit's identifiable assets.

Income taxes

Income tax expense is calculated on the basis of the profit for the year and takes into account deferred taxes. In accordance with IAS 12, deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the IFRS financial statements. Deferred income tax assets also comprise tax reduction claims that arise from the expected use of existing loss carryforwards in subsequent years. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is calculated using the tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is recognised in the income statement as tax income or expense.

Leases

Leases of property, plant and equipment where the Group has substantially borne all of the risks and rewards of ownership are classified as financial leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease instalments are divided into an interest element and a repayment element.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Other provisions

Other provisions comprise all legal and constructive obligations towards third parties identifiable at the balance sheet date that are based on past events and where the amount or due date of the obligation is not certain. The provisions are recognised in the amount of the best estimate of the settlement amount. Possible claims for reimbursement are not offset against the provisions.

Provisions for pensions

In accordance with IAS 19, provisions for pensions are measured using the projected unit credit method for defined benefit plans. This means that future obligations are measured using actuarial methods to estimate the relevant variables.

Actuarial gains or losses are credited or charged to the income statement if they exceed 10% of the defined benefit obligation at the beginning of the period. In such a case, the actuarial gains or losses are recognised immediately in the income statement. Reported provisions for pensions are based on actuarial certificates issued by an independent actuary.

Pension commitments under defined contribution plans are recognised as expense.

Prepaid expenses and deferred income

Payments made or received for agreed future obligations are recognised at the time of the cash flow and written back to the income statement over the term of the agreement.

Treasury shares

Treasury shares are shares in secunet AG held by the Company itself. The acquisition of treasury shares is shown in the Consolidated Financial Statements as a change in equity. No gain or loss is shown in the income statement for the sale, issue or recalling of treasury shares. The consideration in such transactions is recognised in the Consolidated Financial Statements as a change in equity.

Revenue recognition

Revenue is recognised when it is probable that the future economic benefits associated with the corresponding transaction will flow to the Company and when the amount of revenue can be reliably measured.

Revenue is shown net of value-added tax and any discounts when the sale of goods or services has taken place and the risks and rewards associated with ownership have been substantially transferred.

According to IAS 18, revenue from services is recognised with reference to the estimated stage of completion of the transaction, provided that the criteria under IAS 18.20 are met. Work already done for clients as at the balance sheet date but not yet invoiced is recognised as revenue in the amount of the work already carried out in relation to the overall service to be performed. The stage of completion is subject to an estimate to the extent that the total costs incurred can only be estimated at the time of measurement. Loss-free valuation is used. The resulting balance sheet entry is recognised under current receivables.

Revenue recognition for separately identifiable components of a single transaction follows IAS 18.13. Transactions with separately identifiable components are contracts where the buyer receives a service in addition to a good. The existing recognition criteria are to be applied separately to each component of the transaction.

Revenue from contractual services that are to be performed in a period subsequent to the balance sheet date and have already been invoiced is deferred and then recognised in the income statement over the agreed term.

Assumptions and estimates

In the preparation of the Consolidated Financial Statements, assumptions and estimates were made that affected the reported amounts of assets, liabilities, income and expenses. These assumptions and estimates relate primarily to an estimate of the value of receivables (Note 2), the recognition and measurement of provisions (Notes 8 and 9) and the recognition of revenue in the case of services (see section on Revenue recognition). The goodwill impairment test is also subject to estimates and assumptions. For the purposes of calculating the value in use of the cash-generating units, estimates of future cash flows from the cash-generating unit and related to the calculation of the discounting rate are required (see Note 3, Goodwill).

In some cases, actual results may differ from these estimates and assumptions. Changes are taken into account in the income statement at the time when better knowledge becomes available.

Notes to the balance sheet

The balance sheet is classified into non-current and current assets and liabilities. Assets and liabilities due within one year are recognised as current.

In accordance with IAS 12, deferred tax balances are recognised as non-current assets and liabilities.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cheques, cash in hand and bank balances. The bank balances comprise a call deposit and short-term time deposits with Commerzbank AG, Essen, in the amount of kEuro 12,423. The rate of interest on these is between 0.40% and 1.15% p.a.

The movement in cash and cash equivalents is shown in the cash flow statement.

(2) Receivables and other assets

The residual term of all receivables was less than one year.

Trade receivables include an accrued amount of Euro 1,842,741.02 (previous year: Euro 1,628,845.59) for consultancy services rendered to customers but not yet invoiced as at 31 December 2010. All intercompany receivables also result from trade receivables.

The maturities of all trade receivables are as follows:

Overdue in days

in Euro	31 Dec 2010	31 Dec 2009
not due	16,200,494.48	18,348,572.72
1–30	1,428,449.00	2,542,139.00
31–90	1,434,521.00	205,447.00
91–180	89,497.00	34,396.00
181–360	30,831.00	122,613.48
>360	0.00	3,602.00
Total	**19,183,792.48**	**21,256,770.20**

The valuation allowance for trade receivables was as follows:

in Euro	2010	2009
As at 1 Jan	22,350.00	0.00
Added	10,672.00	22,350.00
Used	-22,350.00	0.00
As at 31 Dec	**10,672.00**	**22,350.00**

A valuation allowance is posted to a separate valuation allowance account in cases where receivables are clearly overdue (>180 days) and owed from non-public-sector clients or in the event of special information in individual cases. The receivable is derecognised in the income statement in the event of established insolvency or in cases where the receivable is estimated to be irrecoverable for other reasons.

Unimpaired receivables not yet due and other assets are assessed as being of value by the Management Board.

Additions to the valuation allowances are recognised in the income statement under other operating expenses, while releases are recognised accordingly under other operating income.

Other current assets are travel expense advances to employees and other receivables due within 90 days at the latest. No impairments were made.

(3) Property, plant and equipment and intangible assets

Property, plant and equipment

The movement in property, plant and equipment, which consists exclusively of office and operating equipment, may be summarised as follows:

in Euro	2010	2009
Accumulated historical cost as at 1 Jan	6,482,297.87	5,895,707.32
Additions	965,173.10	840,466.66
Disposals	-632,932.40	-253,876.11
As at 31 Dec	**6,814,538.57**	**6,482,297.87**
Accumulated depreciation as at 1 Jan	5,015,007.39	4,565,335.35
Additions	797,882.93	703,122.15
Disposals	-610,418.90	-253,450.11
As at 31 Dec	**5,202,471.42**	**5,015,007.39**
Carrying amount as at 31 Dec	**1,612,067.15**	**1,467,290.48**

There were no restrictions on disposal or fixed assets pledged to lenders.

Intangible assets

The movement in intangible assets may be summarised as follows:

in Euro	2010 Goodwill	2010 Software	2009 Goodwill	2009 Software
Accumulated historical cost as at 1 Jan	2,950,000.00	1,112,882.74	2,950,000.00	997,776.95
Additions	0.00	259,559.77	0.00	116,999.48
Disposals	0.00	-62,646.43	0.00	-1,893.69
As at 31 Dec	**2,950,000.00**	**1,309,796.08**	**2,950,000.00**	**1,112,882.74**
Accumulated depreciation as at 1 Jan	0.00	905,508.48	0.00	792,488.53
Additions	0.00	177,950.23	0.00	114,913.64
Disposals	0.00	-62,646.43	0.00	-1,893.69
As at 31 Dec	**0.00**	**1,020,812.28**	**0.00**	**905,508.48**
Carrying amount as at 31 Dec	**2,950,000.00**	**288,983.80**	**2,950,000.00**	**207,374.26**

Amortisation is recognised under "Depreciation and amortisation". There were no write-downs in the year under review.

There were no research and development costs requiring recognition as an asset in the last two years.

Goodwill

The breakdown of goodwill by segment is as follows:

Carrying amount of the goodwill

in kEuro	31 Dec 2010	31 Dec 2009
Business Security	838	838
Government	773	773
High Security	1,339	1,339
Total	**2,950**	**2,950**

Goodwill was allocated to the cash-generating units in accordance with the Group's management structure. These cash-generating units represent the lowest reporting level in the Group at which goodwill can be monitored by the management for internal management purposes.

In testing goodwill for impairment in accordance with IAS 36, the recoverable amount of the individual cash-generating unit is determined by its value in use. A unit's value in use is calculated from the present value of its future cash flows. A pre-tax discount rate of 11.74% was used for this calculation. A risk-free interest rate of 3.2%, a risk premium of 4.75% and a tax rate of 32.28% are used to calculate the discount rate before tax. The underlying projections employed for the test are based on a period of three years and take into account past experience and the management's expectations regarding the future development of the market. Projections further into the future are made by extrapolating cash flows in perpetuity without factoring in a growth rate for value in use.

As the present value of future cash flows exceeded the carrying amounts of the goodwill, no impairment of goodwill was necessary. As part of a sensitivity analysis, the discount premium was increased by 1% and flat-rate discounts of 10% were applied to the expected cash flows from the individual cash-generating units. Even under these conditions there was no need for impairment with regard to any of the goodwill allocated to the cash-generating units.

(4) Inventories

in Euro	31 Dec 2010	31 Dec 2009
Merchandise	2,218,098.68	1,030,191.32
Consumables	34,592.11	18,720.53
Prepayments made	40,000.00	50,420.17
Total	**2,292,690.79**	**1,099,332.02**

Merchandise is measured at the cost of acquisition calculated using a sliding average.

(5) Non-current financial instruments

The premium reserve shares from reinsurance contracts shown under non-current financial instruments amount to Euro 1,144,215.00 (previous year: Euro 1,011,725.61). These are for the reinsurance of the existing defined benefit obligations related to 21 secunet employees from pension commitments assumed from previous employers. The existing reinsurance contracts are not plan assets as defined under IAS 19.

(6) Deferred tax assets

As at the end of the 2010 financial year, use had been made of all domestic loss carryforwards.

In addition, there were loss carryforwards at the foreign companies of kEuro 3,660 (previous year: kEuro 1,813) for which no deferred taxes were recognised. Deferred tax claims not recognised totalled kEuro 729 (previous year: kEuro 480).

A tax rate of 32.28% was used to calculate deferred taxes (previous year: 32.28%). This tax rate includes trade tax and corporate tax and also the solidarity surcharge.

The breakdown of deferred taxes recognised in the balance sheet is as follows:

Balance sheet entry in Euro		**31 Dec 2009**
Deferred tax assets		
from provisions for pensions and similar liabilities	228,959.13	171,283.49
from loss carryforward	0.00	397,519.42
from other matters	48,581.40	12,338.39
	277,540.53	**581,141.30**
Deferred tax liabilities		
from receivables	-134,226.05	-25,707.47
from other matters	-2,666.33	0.00
	-136,892.38	**-25,707.47**
Total	**140,648.15**	**555,433.83**

The movement in deferred taxes in the income statement may be summarised as follows:

Income statement expense/income in Euro	**01 Jan – 31 Dec 2010**	**01 Jan – 31 Dec 2009**
Deferred tax assets		
from provisions for pensions and similar liabilities	57,675.64	18,316.85
from loss carryforward	-397,519.42	-931,379.96
from other matters	36,243.01	-296.06
	-303,600.77	**-913,359.17**
Deferred tax liabilities		
from receivables	-108,518.58	-10,620.52
from other matters	-2,666.33	8,938.23
	-111,184.91	**-1,682.29**
Total	**-414,785.68**	**-915,041.46**

(7) Liabilities

Intercompany payables were trade payables.

Other current liabilities break down as follows:

in Euro	**31 Dec 2010**	**31 Dec 2009**
Payable value-added tax	798,838.00	1,432,332.14
Payable wage income tax and church tax	289,809.89	326,443.79
Liabilities towards employees	112,000.79	1,915.80
Payable social security contributions	20,960.77	15,927.12
Other liabilities	211,324.48	270,865.26
Total	**1,432,933.93**	**2,047,484.11**

The maturities of the liabilities are as shown below:

in Euro	Total		Residual term up to 1 year		Residual term 1 to 5 years		Residual term over 5 years	
	2010	2009	2010	2009	2010	2009	2010	2009
Trade payables	6,408,971.43	10,060,261.34	6,408,971.43	10,060,261.34	0.00	0.00	0.00	0.00
Current tax liabilities	769,236.56	167,800.00	769,236.56	167,800.00	0.00	0.00	0.00	0.00
Other current liabilities	1,432,933.93	2,047,484.11	1,432,933.93	2,047,484.11	0.00	0.00	0.00	0.00
Deferred income	1,155,969.43	1,041,401.68	1,155,969.43	1,041,401.68	0.00	0.00	0.00	0.00

(8) Provisions for pensions

in Euro	2010	2009
Opening balance as at 1 Jan	1,500,760.36	1,285,733.00
Currency differences	11,826.20	0.00
Change in plan assets	0.00	61,171.00
Added	308,098.00	153,856.36
Closing balance as at 31 Dec	**1,820,684.56**	**1,500,760.36**

Provisions for pensions and similar liabilities are formed on the basis of the Company's individual contract commitments towards its employees. 28 employees at secunet AG who were employed at other companies in the past are entitled to a pension. New employees of secunet AG are not eligible for pensions. The pension entitlement is based on income at the time of leaving the Company. Entitlement to an annual pension begins at the end of the first ten years of service after the age of 30 and increases for every further year of continued service with the Company.

For employees of secunet SwissIT AG, provision is made for pension payments on the basis of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Plans (BVG).

The actuarial certificate for the eligible employees of secunet AG as at 31 December 2010 is based on trend assumptions of 3.0% for salary growth (previous year: 2.5%), pension growth of 1.5% p.a. (previous year: 1.5% p.a.), a rate of inflation of 2.0% p.a. (previous year: 1.5% p.a.) and an actuarial interest rate of 5.00% p.a. (previous year: 5.87% p.a.). The calculations were based on Professor Dr Klaus Heubeck's 2005 mortality tables.

A separate actuarial certificate was drawn up for the employees of secunet SwissIT, based on future salary growth of 2.0%, pension growth of 0.0%, an actuarial interest rate of 3.25% and a return on assets of 3.25%. Plans in accordance with the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Plans (BVG) are an element of the legally prescribed pension provisions in Switzerland. The plan assets consist of an investment in an insurance company in Switzerland.

The evaluation and definition of the parameters are at the discretion of the Management Board.

The defined benefit obligation as at 31 December 2010 was Euro 2,436,350.80. The difference compared with the reported amount in the balance sheet can be attributed to plan assets (accounting for Euro 374,618.96 of the difference) and to actuarial gains/losses that were not included (accounting for Euro 241,047.28 of the difference). Where unrealised actuarial gains/losses exceed 10% of the defined benefit obligation, the amount in excess is immediately credited or charged to the income statement. In the reporting year, Euro 149,951.00 was charged to the income statement.

The recognised provisions for pensions are calculated as follows:

in Euro	**2010**	**2009**
Present value of the pension entitlements by plan assets	497,352.80	416,778.70
Fair value of plan assets	-374,618.96	-313,928.48
Balance of unrecognised actuarial gains and losses	-49,735.28	-41,679.22
Provision for pension entitlements from plan assets	**72,998.56**	**61,171.00**
Present value of pension entitlements not financed by plan assets	1,938,998.00	1,315,266.00
Balance of unrecognised actuarial gains and losses	-191,312.00	124,323.36
Provision for pension entitlements not covered by plan assets	**1,747,686.00**	**1,439,589.36**
Recognised provisions for pensions	**1,820,684.56**	**1,500,760.36**

Changes to the defined benefit obligations in the reporting year were as follows:

in Euro	**2010**	**2009**
As at 1 Jan	1,732,044.70	1,565,980.44
Current service cost	80,941.00	125,881.42
Interest cost	77,206.00	79,273.13
Actuarial gains/losses	465,585.00	-51,862.54
Exchange rate changes	80,574.10	0.00
Benefits paid	0.00	12,772.25
As at 31 Dec	**2,436,350.80**	**1,732,044.70**

The movement in the fair value of the plan assets in the financial year may be summarised as follows:

in Euro	**2010**	**2009**
Opening balance as at 1 Jan	313,928.48	310,567.37
Expected return on plan assets	0.00	8,066.68
Currency translation differences	60,690.48	0.00
Actuarial gains/losses	0.00	-4,705.57
Closing balance as at 31 Dec	**374,618.96**	**313,928.48**

Costs arising from the defined benefit obligations were comprised of the following:

in Euro	2010	2009
Current service cost	80,941.00	125,881.42
Interest cost	77,206.00	79,273.13
Recognition of actuarial gains and losses	149,951.00	19,956.00
Expected return on plan assets	0.00	-8,066.68
Costs for the year	**308,098.00**	**217,043.87**

In line with actuarial certificates, expenses arising from the commitments are distributed over the service life of employees and consist of the interest cost, the service cost and the actuarial gains recognised for the current year under staff costs.

The movement in the defined benefit obligation (DBO) over the last five years may be summarised as follows:

Year in Euro	**Present value**	**Plan assets**	**Obligation not covered by plan assets**
2006	1,457,349.00	0.00	1,457,349.00
2007	1,052,709.00	0.00	1,052,709.00
2008	1,270,202.00	0.00	1,270,202.00
2009	1,732,045.00	313,928.00	1,418,116.00
2010	**2,436,351.00**	**374,619.00**	**2,061,732.00**

The provision was not used in 2010.

Against the defined benefit obligation were premium reserve shares from reinsurance contracts in the amount of Euro 1,144,215.00 (previous year: Euro 1,011,725.61) which do not represent plan assets under IAS 19.

Empirical adjustments to pension plan debts were as follows over the past five years:

Year in Euro	**Empirical adjustments**
2006	-12,953.00
2007	79,746.00
2008	-30,635.00
2009	-5,163.00
2010	**49,680.00**

Pension provisions of Euro 1,953,452 are expected as at 31 December 2011, based on annual expense of Euro 205,766.

The expected payments into the plan for the following year are kEuro 20.

In the reporting year, secunet AG paid contributions of kEuro 1,383 (previous year: kEuro 1,296) into the statutory pension insurance plan, which is regarded as a defined contribution plan. In the case of defined contribution pension plans, the Company has no further obligations beyond the payment of contributions. These expenses are recognised under staff costs.

(9) Other provisions

Developments in other provisions are shown in the table below:

in Euro	1 Jan 2010	Used	Released	Added	31 Dec 2010
Long-term provisions					
Provision for anniversary bonus	49,866.00	-12,532.00	0.00	66,445.00	103,779.00
Short-term provisions					
Annual employee bonuses	4,066,401.11	-3,529,056.11	-537,345.00	3,515,077.01	3,515,077.01
Outstanding leave	399,552.31	-399,552.31	0.00	409,159.28	409,159.28
Trailing costs	478,063.50	-478,063.50	0.00	323,635.18	323,635.18
Litigation risks	0.00	0.00	0.00	225,000.00	225,000.00
Closure costs Switzerland	0.00	0.00	0.00	210,000.00	210,000.00
Annual Report	80,100.00	-58,341.72	0.00	80,100.00	101,858.28
Other	382,127.25	-260,854.67	0.00	432,835.27	554,107.85
Total	**5,456,110.17**	**-4,738,400.31**	**-537,345.00**	**5,262,251.74**	**5,442,616.60**

The provision for anniversary bonuses was reported under current provisions during the previous year due to the small amount concerned. The significant increase that occurred during the financial year resulted in this position being moved to non-current provisions.

There are no off-balance-sheet risks in addition to the risks on the balance sheet.

The provision for the litigation risks was formed for a case in which the Company is the defendant. The value in dispute is kEuro 450. A provision of kEuro 225 was made to cover defence costs and the creation of expert reports to be submitted in court. The expected risk upon realisation is a minimum of kEuro 50, up to a maximum of kEuro 500.

The risks have been represented at the level of the expected realisation. The minimum risk is Euro 5,267,616.66 and the maximum risk is Euro 5,717,616.66.

The estimation of the probability of occurrence for the expected realisation of the provisions is at the discretion of the Management Board. Further discretion is required for the estimation of the plan costs as part of the calculation of the follow-up costs.

(10) Equity

The Group's equity is shown in the Consolidated Statement of Changes in Equity.

As in the previous year, secunet AG holds 30,498 treasury shares. This corresponds to 0.469% of the share capital.

The share capital has remained unchanged at Euro 6,500,000.00. It is divided into 6,500,000 bearer shares without par value. All shares are fully paid. Calculated on a profit of Euro 1,817,930.67, diluted and undiluted earnings per share were Euro 0.28 (6,469,502 shares) in 2010, compared with Euro 0.37 (6,469,502 shares) in the previous year.

The number of shares outstanding remained unchanged, at 6,469,502 shares. Each share grants the holder one voting right and, in the event of a distribution, an equivalent dividend entitlement.

secunet AG's capital reserves were unchanged from the previous year, with Euro 1,902,005.80 of the total resulting from payments by the shareholder before the transformation of secunet AG into a public company limited by shares. The price premium paid in the initial public offering accounts for Euro 20,020,000.00 of the total. This is available for the purposes of offsetting any losses incurred and for capital increases from the Company's own funds.

Accumulated other comprehensive loss consists exclusively of currency translation differences from the currency translation of financial statements of foreign subsidiaries.

No dividend was paid for 2009. The Management Board of secunet AG has not proposed that any dividend be paid for 2010.

Notes to the income statement

(11) Revenue

Domestic revenue totalled Euro 54,624,215.95 (previous year: Euro 59,029,686.19), while revenue generated abroad was Euro 4,831,441.72 (previous year: Euro 4,928,370.44). Revenue is divided up by customer location.

Approximately Euro 24.8m of this revenue is related to the Group's major customer as defined in IFRS 8.34. This revenue is generated in the Government and High Security segments. The next biggest customer accounts for approximately Euro 11.2m of revenue, generated in the Government segment. No other individual customer accounted for 10% or more of the Group's revenue in 2010.

(12) Other operating income

In the last two financial years, other operating income was made up of the following:

in Euro	2010	2009
Income from damages paid	664,896.15	4,163.60
Income from the utilisation of provisions	607,515.54	289,290.63
Income from the release of provisions	537,345.00	59,948.00
Proceeds from administrative services and leasing	162,619.16	95,581.16
Other	262,041.74	128,045.99
Total	**2,234,417.59**	**577,029.38**

Income resulting from payments of damages primarily relates to a reimbursement of fidelity insurance in conjunction with the expenses related to events at secunet s.r.o.

The income from the release of provisions relates to the release of the provision for employees' annual bonuses (see also breakdown of provisions under 9).

(13) Cost of purchased materials and services

in Euro	2010	2009
Cost of purchased merchandise	19,709,955.73	24,265,094.39
Cost of purchased services	2,315,776.93	2,425,588.86
Total	**22,025,732.66**	**26,690,683.25**

(14) Staff costs

in Euro	2010	2009
Salaries	16,160,793.66	15,309,897.62
End-of-year bonuses and benefits	3,154,080.27	3,689,449.00
Overtime payments	6,699.01	1,478.05
Other salary costs	562,993.83	167,074.80
Salaries, total	**19,884,566.77**	**19,167,899.47**
Employer’s social security contributions	3,088,302.48	2,743,835.12
Professional associations	86,587.94	72,366.85
Social security costs	**3,174,890.42**	**2,816,201.97**
Allocation to provisions for pensions	308,098.00	217,043.87
Financial assistance	13,679.94	5,700.00
Old age pension costs	**321,777.94**	**222,743.87**
Staff costs	**23,381,235.13**	**22,206,845.31**

The Group employed an average of 289 staff in 2010, compared with 276 in the previous year (excluding the Management Board).

(15) Other operating expenses

Other operating expenses were as follows:

in Euro	2010	2009
Rental and lease expenses	2,255,587.76	1,922,884.82
Other consulting, certificates and information	1,720,697.74	832,421.73
Travel expenses	1,468,038.25	1,291,669.40
Advertising expenses	1,137,133.34	1,167,654.25
Vehicle costs	845,551.06	859,132.38
Additions to provisions	808,586.17	463,416.63
IT costs	614,440.35	605,173.70
Postage, telephone and bank charges	420,110.14	362,584.85
Incidental staff costs	402,481.79	350,019.71
Servicing/maintenance	365,641.33	291,785.98
Commission and licences	253,630.60	278,874.18
Contributions/fees	181,014.58	133,189.28
Insurance	135,430.58	165,090.32
Entertainment/representation	126,073.68	139,574.23
Other third-party services	125,159.08	151,331.76
Legal advice	117,388.52	104,416.81
Derecognition of receivables	117,253.93	33,907.90
Audit/pension certificates	104,588.81	142,621.49
Outbound freight	91,985.72	66,233.75
Office supplies	78,608.67	83,217.68
Technical consumables	63,117.78	108,161.71
Other taxes	57,891.17	603,150.79
Technical literature and prints	24,590.21	20,510.22
Temporary staff	1,455.30	53,815.02
Other	219,172.97	662,858.65
Total	**11,735,629.53**	**10,893,697.24**

(16) Interest income / expense

The interest income of Euro 74,586.71 (previous year: Euro 78,017.94) derives from call and time deposits with banks.

The 2010 interest expense of Euro 13,879.62 (previous year: Euro 44,549.63) essentially comprises interest paid on subsequent tax claims.

(17) Income taxes

Actual taxes of Euro 1,427,928.89 (previous year: Euro 587,935.79) were incurred in the reporting year. This includes taxes for previous years in the amount of Euro 2,047.91 (previous year: Euro -489.76).

The income tax expense is derived from the theoretical tax expense, applying a tax rate of 32.28% (previous year: 32.28%) to the profit before tax. The tax expense arising from the application of the tax rate for secunet AG is derived as follows:

in Euro	2010	2009
Group profit before tax	3,660,645.23	3,912,114.47
Expected tax expense	-1,181,656.28	-1,262,830.55
Tax effect of change in tax rates	0.00	4,565.60
Use of loss carryforwards	-238,257.47	32,209.82
Trade tax adjustments	-35,141.35	-39,170.28
Tax rate differences, international	-79,884.23	-181,985.69
Non-deductible expenses	-213,583.05	-15,259.86
Other items	-94,192.18	-40,506.30
Effective tax expense	**-1,842,714.56**	**-1,502,977.26**

As at 31 December 2010 the tax rates used to calculate deferred tax assets and liabilities were unchanged compared with the previous year.

The effective tax rate in the reporting year, based on the Group profit before tax, was 50.3% (previous year: 38.4%).

(18) Cash flow statement

The cash flow statement shows the changes in cash over the course of the reporting year, broken down into cash flows from operating, investment and financing activities. Cash and cash equivalents consists of cash in hand, bank current accounts and time and call deposit accounts with banks.

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

Segment reporting

secunet AG adopted a new, customer-driven corporate structure in 2007. The Group is now 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 as separate segments 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 overheads under "Other segments".

Segment report 2010 in kEuro	**Business Security**	**Government**	**High Security**	**Other segments**	**Consolidation**	**secunet 2010**
Segment revenue external	8,847	14,872	33,624	1,821	292	59,456
Segment revenue internal	1,837	0	0	25	-1,862	0
Segment result before apportionment	2,831	3,328	6,883	-9,662	192	3,572
Apportionment	-2,498	-2,838	-3,150	8,486	0	0
Segment result (EBIT)	333	490	3,733	-1,176	192	3,572
Interest result						61
Foreign currency gains/losses						28
Group profit before tax						3,661
Goodwill	838	773	1,339	0	0	2,950
Significant expenses						
Staff costs	-5,494	-6,410	-6,088	-5,962	573	-23,381
Cost of purchased materials and services	-1,702	-3,254	-17,141	-345	416	-22,026
Depreciation and amortisation	-216	-74	-315	-567	196	-976

Segment report 2009 in kEuro	**Business Security**	**Government**	**High Security**	**Other segments**	**Consolidation**	**secunet 2009**
Segment revenue external	8,601	15,419	38,851	1,169	-82	63,958
Segment revenue internal	1,680	387	24	349	-2.440	0
Segment result before apportionment	2,377	3,353	8,202	-10,621	615	3,926
Apportionment	-2,538	-2,704	-3,184	8,426	0	0
Segment result (EBIT)	-161	649	5,018	-2,195	615	3,926
Interest result						33
Foreign currency gains/losses						-47
Group profit before tax						3,912
Goodwill	838	773	1,339	0	0	2,950
Significant expenses						
Staff costs	-4,584	-6,316	-5,679	-6,182	554	-22,207
Cost of purchased materials and services	-1,902	-2,994	-22,260	-183	648	-26,691
Depreciation and amortisation	-156	-71	-201	-587	197	-818

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 offering 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-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 identity management systems, qualified mass signature solutions for electronic invoicing, public key infrastructures 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.

Internal sales show the sales relationships between the segments. The transfer prices are essentially in line with the prices for third-party transactions.

Consolidation essentially involves the elimination of intra-group assets, liabilities, income and expenses. The accounting principles for the segments are identical to those used for the Consolidated Financial Statements. Using apportionments, expenses (e.g. overhead costs) that are not directly allocable to the reportable segments are allocated to the reportable segments. The segments are managed on the basis of the segment results prior to this apportionment.

With the exception of non-essential components, the segments' assets are focused on the domestic market. There were no significant changes to the segment assets as at the reporting date.

Other disclosures

Capital management

Our capital management is geared primarily to the provisions and requirements of company law. The aim is to ensure that all Group companies can operate as going concerns. Where no special provisions dictate otherwise, the equity for tax purposes is the same as the balance sheet equity. In all other cases the balance sheet equity is adjusted in line with regulatory or contractual requirements. The Group is not subject to any minimum equity requirements.

The Group's equity as at 31 December 2010 was Euro 25,015,313.27 (previous year: Euro 23,209,909.35).

Financial instruments

Risks from financial instruments

The risks arising from financial instruments relate to liquidity, default and market risks.

Liquidity risks

To ensure that it has sufficient funds at its disposal, the Group prepares a liquidity plan as part of its three-year planning. This is then compared against each set of month-end figures and subsequently analysed.

The finance department informs the CFO of the current level of available funds on a daily basis. In conjunction with a permanent reminder function, this ensures a high level of cash holdings at all times.

Given the high level of available funds, the Group has to date never needed to make use of credit lines.

At the end of the year the Group had cash and cash equivalents amounting to Euro 14,344,166.94 at its disposal (previous year: Euro 14,669,268.94). Current financial liabilities stood at Euro 7,841,905.36 (previous year: Euro 12,095,504.74).

Default risks

Default risks, or risks that counterparties cannot meet their payment obligations on time, are addressed with approval and control processes.

The Group also assesses the solvency of its customers on a regular basis.

The maximum amount of the default risks arising for the Group corresponds to its total receivables. The Group is not exposed to any unusual default risks in respect of individual contracting partners or groups of contracting partners. Default risks are recognised through valuation allowances.

There are no concentrations of default risks in respect of individual customers. The overall default risk is estimated to be low.

An analysis of the trade receivables that were overdue can be found in the overview under (2).

Market risks

Secunet AG generates the majority of its revenues in the eurozone. The risks resulting from exchange rate fluctuations are therefore not significant. Fixed interest rates are agreed for the Company's interest-bearing call deposits and time deposits. Due to the high level of cash and cash equivalents, no financing through loans is required. Risks resulting from changes in interest rates can therefore also be regarded as low.

Other notes on financial instruments

During 2010, there were no reclassifications of financial assets between the measurement categories under IAS 39. With the exception of premium reserves from reinsurance contracts, no financial assets or liabilities were measured at fair value.

The carrying amounts of current financial assets and liabilities represent an appropriate approximation of fair value for the purposes of IFRS.

The fair values of other non-current financial assets correspond to the carrying amounts. These are surrender values. The surrender values developed as follows:

in Euro	2010	2009
Carrying amount at 1 Jan	1,011,725.61	798,777.32
Inpayments	104,843.76	201,768.35
Income recorded in the income statement	27,645.63	11,179.94
Carrying amount at 31 Dec	**1,144,215.00**	**1,011,725.61**

During the 2010 financial year expenses amounting to kEuro 127 (previous year: kEuro 34) arose from impairments for financial instruments measured at amortised cost.

Additional notes on financial instruments

Measurement method pursuant to IAS 39

Assets in Euro	Measurement category as defined in IAS 39.9 / Financial instrument classes as defined in IFRS 7.6 / Carrying amount 31 Dec 2010	Loans and receivables / Consultancy assignments with assets-side balance vis-à-vis customers	Loans and receivables / Financial instruments measured at amortised cost	Financial liabilities measured at amortised cost / Financial instruments measured at amortised cost	Financial assets measured at fair value through profit or loss / Financial instruments measured at fair value	Not financial instruments as defined in IAS 39 and IFRS 7
Current assets						
Cash and cash equivalents	14,344,166.94		14,344,166.94			0.00
Trade receivables	19,038,529.91	1,842,741.02	17,195,788.89			0.00
Intercompany receivables	145,262.57		145,262.57			0.00
Inventories	2,292,690.79					2,292,690.79
Other current assets	89,161.47		89,161.47			0.00
Current tax assets	0.00	0.00	0.00			0.00
Non-current assets						
Property, plant and equipment	1,612,067.15					1,612,067.15
Intangible assets	288,983.80					288,983.80
Goodwill	2,950,000.00					2,950,000.00
Non-current financial instruments	1,144,215.00				1,144,215.00	0.00
Deferred tax assets	277,540.53					277,540.53
Total assets	**42,182,618.16**	**1,842,741.02**	**31,774,379.87**	**0.00**	**1,144,215.00**	**7,421,282.27**

Liabilities in Euro	Measurement category as defined in IAS 39.9 / Financial instrument classes as defined in IFRS 7.6 / Carrying amount 31 Dec 2010	Loans and receivables / Consultancy assignments with assets-side balance vis-à-vis customers	Loans and receivables / Financial instruments measured at amortised cost	Financial liabilities measured at amortised cost / Financial instruments measured at amortised cost	Financial assets measured at fair value through profit or loss / Financial instruments measured at fair value	Not financial instruments as defined in IAS 39 and IFRS 7
Current liabilities						
Trade payables	6,408,971.43			6,408,971.43		0.00
Intercompany payables	0.00			0.00		0.00
Other provisions	5,338,837.60					5,338,837.60
Current tax liabilities	769,236.56					769,236.56
Other current liabilities	1,432,933.93			1,432,933.93		0.00
Deferred income	1,155,969.43					1,155,969.43
Non-current liabilities						
Deferred tax liabilities	136,892.38					136,892.38
Provisions for pensions	1,820,684.56					1,820,684.56
Other provisions	103,779.00					103,779.00
Total liabilities	**17,167,304.89**	**0.00**	**0.00**	**7,841,905.36**	**0.00**	**9,325,399.53**

	Measurement category as defined in IAS 39.9	Loans and receivables		Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	Not financial instruments as defined in IAS 39 and IFRS 7
Assets in Euro	Financial instrument classes as defined in IFRS 7.6 Carrying amount 31 Dec 2009	Consultancy assignments with assets-side balance vis-à-vis customers	Financial instruments measured at amortised cost		Financial instruments measured at fair value	
Current assets						
Cash and cash equivalents	14,669,268.94		14,669,268.94			0.00
Trade receivables	20,421,737.09	1,628,845.59	18,792,891.50			0.00
Intercompany receivables	835,033.11		835,033.11			0.00
Inventories	1,099,332.02					1,099,332.02
Other current assets	229,611.56		229,611.56			0.00
Current tax assets	36,920.11					36,920.11
Non-current assets						
Property, plant and equipment	1,467,290.48					1,467,290.48
Intangible assets	207,374.26					207,374.26
Goodwill	2,950,000.00					2,950,000.00
Non-current financial instruments	1,011,725.61				1,011,725.61	0.00
Deferred tax liabilities	581,141.30					581,141.30
Total assets	**43,509,434.48**	**1,628,845.59**	**34,526,805.11**	**0.00**	**1,011,725.61**	**6,342,058.17**

	Measurement category as defined in IAS 39.9	Loans and receivables		Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	Not financial instruments as defined in IAS 39 and IFRS 7
Liabilities in Euro	Financial instrument classes as defined in IFRS 7.6 Carrying amount 31 Dec 2009	Consultancy assignments with assets-side balance vis-à-vis customers	Financial instruments measured at amortised cost		Financial instruments measured at fair value	
Current liabilities						
Trade payables	10,060,261.34			10,060,261.34		0.00
Intercompany payables	0.00			0.00		0.00
Other provisions	5,456,110.17					5,456,110.17
Current tax liabilities	167,800.00					167,800.00
Other current liabilities	2,047,484.11			2,047,484.11		0.00
Deferred income	1,041,401.68					1,041,401.68
Non-current liabilities						
Deferred tax liabilities	25,707.47					25,707.47
Provisions for pensions	1,500,760.36					1,500,760.36
Other provisions	0.00					0.00
Total liabilities	**20,299,525.13**	**0.00**	**0.00**	**12,107,745.45**	**0.00**	**8,191,779.68**

Net profit/loss from financial instruments for the two financial years was as follows:

in Euro	2010	2009
Loans and receivables	-133,790.93	76,054.15
Financial liabilities measured at amortised cost	0.00	0.00
Financial assets measured at fair value through profit or loss	27,645.63	11,179.94
Total	**-106,145.30**	**87,234.09**

Leases/Other financial liabilities

The company's other financial liabilities resulted mainly from long-term tenancy agreements for office premises and from leases relating to motor vehicles.

The tenancy agreements for office premises have residual terms of between one and six years. Options to extend the term of the tenancy have been agreed in some cases.

The car leases have residual terms of between one and four years, with no extension or purchase options.
The terms of the leases contain absolutely no restrictions on those business activities that affect dividends, additional debts or further leases.

Lease payments of Euro 2,395,972.66 (previous year: Euro 2,112,210.77) were incurred in the reporting year.

Future minimum lease payments, based on operating leases that may not be terminated, are as follows:

Nominal value in Euro	31 Dec 2010	31 Dec 2009
Long-term rental commitments for various office premises	6,049,321.95	5,468,192.24
Lease commitments for office and operating equipment	1,326,817.29	871,393.46
Total	**7,376,139.24**	**6,339,585.70**

The maturities of the liabilities are as follows:

Nominal value in Euro	31 Dec 2010	31 Dec 2009
Up to 1 year	2,022,123.04	2,090,843.84
More than 1 year but less than 5 years	5,223,528.70	4,100,385.68
More than 5 years	130,487.50	148,356.18
Total	**7,376,139.24**	**6,339,585.70**

Liabilities from 2011 will be offset by minimum payments from non-cancellable subleases amounting to Euro 211,030.80 through 2012.

Corporate Governance

The Management Board and the Supervisory Board have issued the declaration required for secunet AG pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) and made it permanently available to shareholders on the Company's website (**www.secunet.com**).

Executive bodies

The members of the Management Board during the reporting year were:

Dr Rainer Baumgart, Chairman
Graduate engineer Thomas Koelzer
Graduate business economist (FH) Thomas Pleines

Auditors' fees

In 2010, fees paid to the statutory auditors KPMG AG, Essen branch, and its affiliated company (KPMG Europe LLP) included kEuro 63 for auditing services and kEuro 287 for other services.

In 2009, fees paid to the statutory auditors BDO AG, Wirtschaftsprüfungsgesellschaft (previously: BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft), in the amounts of kEuro 46 for auditing services, kEuro 51 for tax advisory services, kEuro 10 for other audit services and kEuro 28 for other services were expensed. In 2010, BDO AG received the following fees: kEuro 46 for auditing services, kEuro 63 for tax advisory services, kEuro 7 for other audit services and kEuro 79 for other services.

Related party disclosures

Transactions with related persons

The individual amounts paid to members of the Management Board and Supervisory Board are set out in the remuneration report within the Group management report.

The remuneration of key management personnel breaks down into the following categories pursuant to IAS 24.

in kEuro	2010	2009
Management Board		
Short-term employee benefits in the financial year	527.7	496.3
Short-term employee benefits for the financial year	251.1	306.0
Post-employment benefits	33.2	25.3
Total	**812.0**	**827.6**
Supervisory Board		
Short-term employee benefits	35.9	34.5

kEuro 220 of the provision made in the previous year for short-term employee benefits in the financial year was released.

Transactions with related companies of Giesecke & Devrient Holding GmbH

secunet AG is a majority holding of Giesecke & Devrient GmbH, Munich, which has a 78.96% stake in the Company. It is included in the Consolidated Financial Statements of Giesecke & Devrient Holding GmbH.

The following transactions were carried out in the specified period with companies in the Giesecke & Devrient Holding GmbH Group:

1. **Revenues resulting from services performed for related companies in the Giesecke & Devrient Group**

in Euro	2010	2009
Parent company		
Giesecke & Devrient GmbH, Munich	704,531.30	1,622,503.21
Other affiliated companies		
Giesecke & Devrient Egypt Services, LLC., Egypt	71,130.18	400,000.00
Papierfabrik Louisenthal GmbH, Gmund	0.00	6,000.00
Total	**775,661.48**	**2,028,503.21**

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

in Euro	2010	2009
Parent company		
Giesecke & Devrient GmbH, Munich	24,723.70	128,997.23
Total	**24,723.70**	**128,997.23**

3. Receivables from related companies in the Giesecke & Devrient Group

in Euro	2010	2009
Parent company		
Giesecke & Devrient GmbH, Munich	145,262.57	435,033.11
Other affiliated companies		
Giesecke & Devrient Egypt Services, LLC., Egypt	0.00	400,000.00
Total	**145,262.57**	**835,033.11**

4. Payables to related companies in the Giesecke & Devrient Group

There were no payables due to affiliated companies from the Giesecke & Devrient Group as at the balance sheet date of 31 December 2010, as had also been case on the previous year's reporting date.

All receivables from and payables to Group companies are trade receivables and payables and are not secured.

No transactions took place with companies that have a participating interest in Giesecke & Devrient Holding GmbH.

Events after the balance sheet date

There were no significant events after the reporting date.

The Management Board
Essen, 22 March 2011

Dr Rainer Baumgart Thomas Koelzer Thomas Pleines

Report of the independent auditors on the Consolidated Annual Financial Statements

We have audited the Consolidated Financial Statements – comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the Consolidated Financial Statements – of secunet Security Networks Aktiengesellschaft, Essen, and the company and group management report for the financial year from 1 January to 31 December 2010. The company's legal representatives are responsible for the preparation of the Consolidated Financial Statements and company and group management report in accordance with IFRS as applicable in the EU, and the provisions of German commercial law additionally applicable under Section 315a para. 1 of the German Commercial Code (Handelsgesetzbuch, HGB). Our responsibility is to issue an opinion on the Consolidated Financial Statements and on the company and group management report on the basis of our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB and the generally accepted standards for the audit of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements, with due regard to the applicable accounting principles, and the company and group management report are free of material misstatements in their presentation of the net assets, financial position and results of operations. Knowledge of the business activities and the economic and legal environment of the group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and evidence supporting the disclosures in the Consolidated Financial Statements and company and group management report are examined primarily on a test basis within the framework of the audit. The audit also includes evaluating the Annual Financial Statements of the companies included in the Consolidated Financial Statements, the determination of the companies to be included in consolidation, the appropriateness of the accounting and consolidation principles used and the reasonableness of accounting estimates made by the legal representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements and of the company and group management report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRS as applicable in the EU, and the provisions of German commercial law additionally applicable under Section 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these provisions. The company and group management report is consistent with the Consolidated Financial Statements, as a whole provides a suitable view of the group's position, and suitably presents the opportunities and risks of future development.

Essen, 23 March 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Salzmann
Auditor

Sonntag
Auditor

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the group, and the 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.”

Dr Rainer Baumgart Thomas Koelzer Thomas Pleines

Financial Statements of secunet AG

BALANCE SHEET OF SECUNET SECURITY NETWORKS AG, ESSEN AS AT 31 DECEMBER 2010 (ACCORDING TO HGB)

Assets

in Euro	Note	31 Dec 2010	31 Dec 2009
A. Fixed assets			
I. Intangible fixed assets		1,911,763.00	2,024,993.00
II. Tangible fixed assets		1,607,895.00	1,459,382.00
III. Long-term financial assets		1,144,215.00	1,011,725.61
Total fixed assets	(1)	**4,663,873.00**	**4,496,100.61**
B. Current assets			
I. Inventories	(2)	3,798,931.81	2,728,149.22
II. Receivables and other assets	(3)	17,246,938.44	19,390,127.49
III. Securities	(4)	0.00	103,739.83
IV. Cash in hand and balances with credit institutions	(5)	14,059,130.17	14,423,772.27
Total current assets		**35,105,000.42**	**36,645,788.81**
C. Prepaid expenses		**42,962.56**	**92,983.96**
Total assets		**39,811,835.98**	**41,234,873.38**

Liabilities

in Euro	Note	31 Dec 2010	31 Dec 2009
A. Equity			
Subscribed capital		6,500,000.00	6,500,000.00
Nominal value of treasury shares		-30,498.00	0.00
I. Issued capital		6,469,502.00	0.00
II. Capital reserves		21,656,305.42	21,656,305.42
III. Revenue reserves			
1. Reserve for treasury shares		0.00	103,739.83
2. Reserve due to treasury shares		30,498.00	0.00
IV. Net accumulated losses		-4,102,450.10	-6,225,255.59
Total equity	(6)	**24,053,855.32**	**22,034,789.66**
B. Provisions	(7)	**7,651,799.90**	**6,910,643.59**
C. Liabilities	(8)	**6,950,211.34**	**11,248,038.45**
D. Deferred income		**1,155,969.42**	**1,041,401.68**
Total liabilities		**39,811,835.98**	**41,234,873.38**

INCOME STATEMENT OF SECUNET SECURITY NETWORKS AG, ESSEN FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010 (ACCORDING TO HGB)

in Euro	Note	1 Jan – 31 Dec 2010	1 Jan – 31 Dec 2009
Sales	(9)	58,933,006.28	62,434,778.44
Increase or decrease of work in progress		-122,576.18	893,426.96
Other operating income	(10)	2,167,976.55	527,598.18
Cost of materials	(11)	-22,381,851.44	-27,019,655.69
Personnel expenses	(12)	-21,755,722.01	-20,717,643.13
Amortisation and write-downs of intangible fixed assets and tangible fixed assets	(13)	-1,164,093.10	-1,002,308.14
Other operating expenses	(14)	-10,962,196.27	-10,423,614.49
Financial result	(15)	-1,061,607.35	-1,852,556.73
Result from ordinary activities		**3,652,936.48**	**2,840,025.40**
Extraordinary income		141.00	0.00
Extraordinary expenses		-85,923.00	0.00
Extraordinary result	(16)	**-85,782.00**	**0.00**
Taxes	(17)	-1,444,348.99	-1,189,217.59
Net income		**2,122,805.49**	**1,650,807.81**
Accumulated losses brought forward		-6,225,255.59	-7,876,063.40
Net accumulated losses		**-4,102,450.10**	**-6,225,255.59**

NOTES TO THE FINANCIAL STATEMENTS OF SECUNET SECURITY NETWORKS AG FOR FINANCIAL YEAR 2010 (ACCORDING TO HGB)

General principles

The Annual Financial Statements of secunet Security Networks AG (secunet AG) have been prepared for the first time in accordance with the recognition and measurement methods of the German Commercial Code (Handelsgesetzbuch, HGB) as amended by the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), and in accordance with the supplementary provisions of the German Stock Corporation Act (Aktiengesetz, AktG). The options and scope for discretion provided for under BilMoG and also the obligatory amendments imposed by the new law are described to the extent that they have a material influence on the presentation of the Company's assets, liabilities, financial position and results of operations. Pursuant to Article 67, para. 8, sentence 2 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), the previous year's figures have not been adjusted.

In order to enhance the clarity and transparency of the reporting, the balance sheet and the income statement combine certain individual positions, which are reported separately and explained in the notes. In addition to the standard breakdown under German commercial law, the balance sheet item "Long-term financial assets" also includes the item "Premium reserve shares from reinsurance contracts". The analysis of expenses in the income statement uses classification based on the nature of expenses.

Recognition and measurement methods

Recognition and measurement are performed according to the principles set out below:

Assets

Fixed assets

The intangible fixed assets acquired are measured at purchase cost and amortised on a straight-line basis over the useful life.

This item primarily relates to goodwill from the takeover of SECARTIS AG. On the basis of the existing customer structure (public institutions), a customary useful life of 15 years was estimated for the goodwill. Had this goodwill been posted to the accounts immediately in 2004, the result from ordinary activities in 2010 would have been kEuro 197 higher.

Tangible fixed assets are measured at purchase cost or cost of production and are depreciated on a straight-line or declining-balance basis over the expected useful life.

Where declining-balance depreciation is applied, this amounts to twice as much (20%) or three times as much (30%) as the straight-line method. A switch is made from declining-balance to straight-line depreciation in years in which the straight-line depreciation amount is higher than the declining-balance depreciation amount.

Shares in affiliated companies are recognised at purchase cost. Loans to affiliated companies and other loans are recognised at nominal value. Financial investments are written down to the market value where permanent impairment has taken place.

Reinsurance contracts are measured at cash surrender value.

Current assets

Inventories are measured at purchase cost or production cost on the balance sheet date. The production cost of work in progress includes not only the directly allocable costs, but also the costs of the necessary materials and production and general administrative expense. Voluntary social security contributions, occupational pension expense and interest on borrowings are not carried as an asset. The principles of loss-free valuation are applied.

Merchandise is measured at the cost of acquisition calculated using a sliding average.

Receivables and other assets are measured at nominal value less appropriate discounts for identifiable individual risks. General credit risk is taken into account through general loan loss provisions, generally based on past experience.

Cash in hand and balances with credit institutions are measured at their nominal value.

Liabilities
Provisions for pensions and similar liabilities are determined in accordance with the expert opinion of an actuary, based on Dr Klaus Heubeck's 2005G mortality tables and applying an interest rate of 5.25%. The valuation is based on the "projected unit credit method" assuming that the benefits will grow by 3%.

In accordance with the new valuation rules of Section 253, para. 1, sentence 2 of HGB (revised), pension provisions must be reported at their settlement value with effect from 2010.

The amount required to be allocated to the pension provisions was calculated as at the transition date of 1 January 2010. The difference from the revaluation of the obligations totalled Euro 748,553. With reference to the option provided for under Article 67, para. 1, sentence 1 of EGHGB, secunet AG allocated the amount of Euro 49,904 (1/15 minimum extraordinary allocation p.a.).

The resulting coverage shortfall is therefore Euro 698,649.

Tax provisions and other provisions are created according to prudent business judgment, taking account of all identifiable and uncertain obligations and the required settlement value expected.

The liabilities are recognised at their settlement value

Assets and liabilities denominated in foreign currency are converted on the basis of the mean cash exchange rate on the reporting date.

Deferred taxes
in Euro

	Assets-side	Liabilities-side
Fixed assets	12,439.65	0.00
Receivables	3,444.92	0.00
Provisions for pensions	28,382.84	0.00
Other provisions	30,938.44	0.00
Total	**75,205.85**	**0.00**

A tax rate of 32.28% is applied. Use was made of the option under Section 274, para. 1, sentence 1 of HGB, and no item was posted in the balance sheet.

Income statement
Revenue is recognised when it is probable that the future economic benefits associated with the corresponding transaction will flow to the Company and when the amount of revenue can be reliably measured.

Revenue is shown net of value-added tax and any discounts when the sale of goods or services has taken place and the principal risks and opportunities associated with ownership have been transferred.

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

(1) Fixed assets
The breakdown of and changes in the fixed assets of secunet AG can be found in the statement of fixed assets, included as an Appendix to the Notes.

A capital contribution of Euro 4,522,149.62 was paid towards the equity of secunet s.r.o. The claim arising from this capital contribution was offset against secunet AG's receivables from secunet s.r.o. resulting from loans and loan interest.

(2) Inventories

in Euro	31 Dec 2010	31 Dec 2009
Work in progress	1,506,241.02	1,628,817.20
Merchandise	2,252,690.79	1,048,911.85
Prepayments on inventories	40,000.00	50,420.17
Total	**3,798,931.81**	**2,728,149.22**

(3) Receivables and other assets

in Euro	31 Dec 2010	31 Dec 2009
Trade receivables	17,071,922.80	18,534,702.50
Receivables from affiliated companies	145,262.57	824,951.26
of which trade receivables	(139,068.36)	(758,660.58)
Other assets	29,753.07	30,473.73
Total	**17,246,938.44**	**19,390,127.49**

As at the balance sheet date, receivables from affiliated companies relate solely to Giesecke & Devrient GmbH. These comprised trade receivables in the amount of Euro 139,068.36 and other receivables in the amount of Euro 6,194.21.

The residual term of all receivables was less than one year.

(4) Securities

The securities consist of treasury shares. These were recognised at purchase cost during the previous year. They were acquired during the period from August 2001 to December 2002 to fulfil employee share option programmes. At present there is no share option programme and no shares were disposed of.

In all, the Company held 30,498 treasury shares (previous year: 30,498) as at the balance sheet date, equating to 0.469% or Euro 30,498 of its share capital (previous year: 0.469%). Following the revision of HGB due to BilMoG, the calculated value of the treasury shares is deducted from the share capital on the face of the balance sheet as of 2010. The difference is offset against the revenue reserves.

(5) Cash in hand and balances with credit institutions

Cash and cash equivalents consisted of cash in hand and bank balances. The bank balances comprise a call deposit and short-term time deposits with Commerzbank AG, Essen, in the amount of kEuro 12,423. The rate of interest on these is between 0.40% and 1.15% p.a.

(6) Equity

The share capital is Euro 6,500,000.00. It is divided into 6,500,000 bearer shares without par value. Based on the 30,498 treasury shares, the issued capital totals Euro 6,469,502.00.

Due to the adjustments made in accordance with the BilMoG, the reserve for treasury shares in the calculated amount of the treasury shares of Euro 30,498 is being placed in the reserves due to treasury shares and the remaining amount offset against other revenue reserves.

The net accumulated losses include accumulated losses brought forward of Euro 6,225,255.59.

The majority shareholder, Giesecke & Devrient GmbH, continues, as in the previous year, to hold a share of 78.96% in secunet AG.

Information on notifications regarding shareholdings:

1. Mr Günter Weispfenning, Germany, informed us pursuant to Section 21, para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) on 2 June 2010 that his share of the voting rights in secunet Security Networks AG, Essen, Germany, ISIN: DE0007276503, WKN: 727650, exceeded the threshold of 3% of the voting rights on 2 June 2010 and on this date totalled 3.02% (corresponding to 196,226 voting rights).

   On this basis, 1.06% of the voting rights (corresponding to 68,665 voting rights) are allocable to Mr Weispfenning pursuant to Section 22, para. 1, sentence 1, no. 1 of WpHG.

2. Mr Günter Weispfenning, Frankfurt, Germany, informed us pursuant to Section 21, para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) on 7 December 2010 that his share of the voting rights in secunet Security Networks AG, Essen, Germany, ISIN: DE0007276503, WKN: 727650, exceeded the threshold of 5% of the voting rights on 30 November 2010 and on this date totalled 5.0006% (corresponding to 325,038 voting rights).

   Mr Weispfenning also informed us that, of this total, 1.0564% of the voting rights (corresponding to 68,665 voting rights) is allocable to him pursuant to Section 22, para.1, sentence 1, no. 1 of WpHG.

(7) Provisions

in Euro	31 Dec 2010	31 Dec 2009
Provisions for pensions and similar obligations	1,132,299.00	908,970.00
Provisions for taxes	769,236.56	167,800.00
Other provisions	5,750,264.34	5,833,873.59
Total	**7,651,799.90**	**6,910,643,59**

Other provisions related mainly to HR obligations (Euro 4,034,479.00), outstanding invoices (Euro 565,002.57) and trailing costs (Euro 323,635.18).

A provision of kEuro 225 was formed for litigation risks relating to a case in which the Company is the defendant. The value in dispute is kEuro 450. The provision was formed to cover defence costs and the creation of expert reports to be submitted in court.

(8) Liabilities

in Euro	31 Dec 2010	31 Dec 2009
Payments received on account of orders	168,113.78	132,917.14
Trade payables	5,621,451.02	9,412,290.08
Liabilities towards affiliated companies	5,683.74	0.00
Other liabilities	1,154,962.80	1,702,831.23
of which taxes	(1,078,373.12)	(1,698,408.38)
of which relating to social security and similar obligations	(4,369.87)	(1,555.05)
Total	**6,950,211.34**	**11,248,038.45**

All liabilities have a residual term of no more than one year.

(9) Sales

The sales were generated in the following regions:

in Euro	2010	2009
Domestic	54,456,419.41	58,168,319.44
International	4,476,586.87	4,266,459.00
Total	**58,933,006.28**	**62,434,778.44**

(10) Other operating income

Other operating income of Euro 2,167,976.55 primarily comprises income from the utilisation and release of reserves, a payment made under a commercial fidelity insurance policy and other income. The income from the release of provisions mainly resulted from the reduced use of profit-sharing bonuses in 2009.

(11) Cost of materials

in Euro	2010	2009
Cost of purchased merchandise	19,698,071.39	24,223,593.08
Cost of purchased services	2,683,780.05	2,796,062.61
Total	**22,381,851.44**	**27,019,655.69**

(12) Personnel expenses

in Euro	2010	2009
Wages and salaries	18,715,662.37	17,967,237.19
Social security costs	2,939,350.79	2,639,621.74
Old age pension costs	87,028.91	105,084.20
Other employee benefit costs	13,679.94	5,700.00
Total	**21,755,722.01**	**20,717,643.13**

(13) Amortisation and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets

Depreciation, amortisation and write-downs are broken down by individual item in the statement of fixed assets.

(14) Other operating expenses

Other operating expenses of Euro 10,962,196.27 consisted mainly of advertising, travel, rent, lease, training, vehicle, administrative, IT, legal, consulting and audit expenses. Write-downs on receivables in the amount of kEuro 113 were also carried out during the year under review.

(15) Financial result

in Euro	2010	2009
Income from other securities and long-term loans	24,120.24	142,291.52
of which from affiliated companies	(24,120.24)	(142,291.52)
Other interest and similar income	52,501.17	76,529.41
Write-downs of long-term financial assets and securities classified as current assets	-1,050,000.00	-2,030,347.68
Interest and similar expenses	-88,228.76	-41,029.98
of which interest on pension provisions	(-87,228.00)	(0.00)
Total	**-1,061,607.35**	**-1,852,556.73**

Write-downs of long-term financial assets and on securities held as current assets relate to write-downs on loans issued to secunet s.r.o. and secunet SwissIT AG during the financial year.

(16) Extraordinary result

The application of Article 66 of EGHGB and of para. 1 to 5 of Article 67 of EGHGB resulted in extraordinary expenses of Euro 85,923.00 and extraordinary income totalling Euro 141.00. Overall, this created a one-off negative effect on the annual result in the amount of Euro 85,782.00.

Broken down, the extraordinary expenses and extraordinary income result from the differences in the allocation to the following provisions:

in Euro	Expenses	Income
Pensions and similar liabilities	49,904.00	0.00
Anniversaries	26,315.00	0.00
Death benefit	9,704.00	0.00
Deferred compensation	0.00	141.00
Total	**85,923.00**	**141.00**

(17) Taxes

in Euro	2010	2009
Income taxes	1,427,459.91	587,515.14
Other taxes	16,889.08	601,702.45
Total	**1,444,348.99**	**1,189,217.59**

Taxes on income relate to financial year 2010 and to adjustments to trade and corporate tax for 2009.

Other notes

Employees
The average headcount over the year, including the three Management Board members, was 274 (previous year: 262, including three Management Board members).

Contingent liabilities
As a security for customers in connection with large orders and for guarantees (e.g. in relation to landlords of office premises), secunet AG has access to a guarantee credit at its principle bank. As at 31 December 2010, the amount of this credit was Euro 1.8m (previous year: Euro 1.8m). To date, no use has been made of the guarantee credit.

Other financial liabilities
As at the balance sheet date, other financial liabilities totalled Euro 7,316,334.78. They consisted mainly of the nominal amount of liabilities arising from office tenancy agreements, of which Euro 1,962,318.58 have less than one year to run, Euro 5,223,528.70 have between one and five years to run and Euro 130,487.50 have more than five years of their term left. None of the total liabilities are towards affiliated companies. Purchase commitments towards suppliers stood at Euro 2,309,242.33 as at the balance sheet date (previous year: Euro 2,858,541.19). These are due within one year.

Liability arrangements
No declarations were issued that resulted in liability arrangements.

Relationships with affiliated companies
Through Giesecke & Devrient GmbH, Munich, the Company is an affiliated company of Giesecke & Devrient Holding GmbH, Munich, which prepares the Consolidated Financial Statements for the largest group of companies. Additionally, the Company is included in the Consolidated Financial Statements of Giesecke & Devrient GmbH, Munich, which prepares the Consolidated Financial Statements for the smallest group of companies. secunet AG also produces its own IFRS Consolidated Financial Statements. The Consolidated Financial Statements are published in the electronic Federal Gazette.

Auditors' fees
In 2010 expenses included kEuro 55 for fees to the statutory auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Essen branch, for its auditing of the financial statements, and kEuro 287 for other services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich branch.

Other
Management Board remuneration totalled kEuro 778.9 in financial year 2010 (previous year: kEuro 802.1). This breaks down into fixed components of kEuro 470 (previous year: kEuro 449.2), variable components of kEuro 251 (previous year: kEuro 305.9) and non-cash benefits of kEuro 57.8 (previous year: kEuro 47.1). The amount provisioned during the previous year for variable remuneration was released in the amount of kEuro 220.

As at 31 December 2010, the members of the Management Board no longer held any secunet AG shares.

Supervisory Board remuneration in the financial year totalled kEuro 35.9 (previous year: kEuro 34.5).

The members of the Supervisory Board held no shares in the Company as at the balance sheet date.

Disclosure of the individual amounts paid to members of the Management Board and Supervisory Board, along with further details of the remuneration system, can be found in the remuneration report that forms part of the management report of secunet AG.

With regard to secunet AG, the Management Board and Supervisory Board issued the declaration required pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). This is permanently available to shareholders on the Company's website **(http://www.secunet.com)**.

Executive bodies

Management Board
Dr Rainer Baumgart, Chairman
(secunet AG shares held: none)

Graduate engineer Thomas Koelzer
(secunet AG shares held: none)

Graduate business economist (FH) Thomas Pleines
(secunet AG shares held: none)

Supervisory Board
Dr Karsten Ottenberg, Munich
Chairman
- Chairman of the Management Board of Giesecke & Devrient GmbH, Munich

No other directorships

Dr Wilhelm Wick, Essen
Vice-Chairman
- Project Director of Hitachi Power Europe GmbH, Duisburg

Other directorships:
- TÜV NORD AG, Hanover
- TÜV Thüringen e.V., Erfurt (until 8 June 2010)

Graduate engineer Franz Markus Haniel, Munich
- Member of the Advisory Council of Giesecke & Devrient GmbH, Munich

Other directorships:
- Franz Haniel & Cie. GmbH, Duisburg
- METRO AG, Düsseldorf (until 5 May 2010)
- Delton AG, Bad Homburg
- Heraeus Holding GmbH, Hanau
- BMW AG, Munich
- TBG Limited, Malta

Hans-Wolfgang Kunz, Munich
- Member of the Management Board of Giesecke & Devrient GmbH, Munich

Other directorships:
- Giesecke & Devrient America, Inc., Dulles, USA
- Giesecke & Devrient India Pvt. Ltd., Gurgaon, India
- Giesecke & Devrient GB Ltd., Wembley, London, UK
- G y D Ibérica S.A., Barcelona, Spain
- Giesecke & Devrient International Finance S.A., Luxembourg
- Giesecke & Devrient Systems Canada, Inc., Markham, Canada
- Giesecke & Devrient Matsoukis Security Printing S.A., Athens, Greece

Dr Elmar Legge, Schermbeck

- Member of the Management Board of RWTÜV e.V., Essen
- Member of the Management Board of TÜV NORD AG, Hanover
- Member of the Management Board of GREIF-Stiftung, Mülheim an der Ruhr
- Member of the Management Board of the RWTÜV Foundation, Essen

Other directorships:

- TÜV Thüringen e.V., Erfurt
- TÜV NORD PENSION TRUST e.V., Hanover
- VAI Van Ameyde International B.V., Rijswijk, Netherlands*
- AHV VVAG, Essen
- RWTÜV GmbH, Essen*
- TÜV NORD Mobilität GmbH & Co. KG, Hanover*
- TÜV NORD BILDUNG GmbH & Co. KG, Essen*
- DMT GmbH & Co. KG, Essen*

(* Group-internal mandate in the TÜV NORD Group)

Dr Peter Zattler, Grünwald

- Member of the Management Board of Giesecke & Devrient GmbH, Munich

Other directorships:

- Giesecke & Devrient International Finance S.A., Luxembourg
- Giesecke & Devrient GB Ltd., Wembley, London, UK
- G y D Ibérica S.A., Barcelona, Spain (until 31 December 2010)
- n.v. Giesecke & Devrient s.a., Zaventem, Belgium
- Giesecke & Devrient Matsoukis Security Printing S.A., Athens, Greece
- Giesecke & Devrient 3S AG, Stockholm, Sweden

Shareholdings

secunet SwissIT AG, Solothurn, Switzerland
100% participation,
equity of the company as at 31 Dec 2010: kCHF -374,
2010 net income: kCHF +43

secunet s.r.o., Prague, Czech Republic
100% participation,
equity of the company as at 31 Dec 2010: kCZK -7,412,
2010 net income: kCZK -15,892

Secunet Inc., Austin, Texas, USA
100% participation (shelf company)

Essen, 22 March 2011

Dr Rainer Baumgart Thomas Koelzer Thomas Pleines

CHANGES IN THE FIXED ASSETS OF SECUNET SECURITY NETWORKS AG IN THE 2010 FINANCIAL YEAR (ACCORDING TO HGB, APPENDIX TO THE NOTES)

	Historical costs			
in Euro	As at 1 Jan 2010	Additions	Disposals	As at 31 Dec 2010
I. Intangible assets				
1. Acquired concessions, industrial property rights and similar rights and values, and licences to such rights	366,911.80	0.00	-17,085.00	349,826.80
2. Acquired software	816,197.58	259,411.30	-41,062.32	1,034,546.56
3. Goodwill	2,950,000.00	0.00	0.00	2,950,000.00
Intangible assets, total	**4,133,109.38**	**259,411.30**	**-58,147.32**	**4,334,373.36**
II. Tangible fixed assets				
Other equipment, office and operating equipment	6,395,660.80	957,586.80	-549,333.80	6,803,913.80
Tangible fixed assets, total	**6,395,660.80**	**957,586.80**	**-549,333.80**	**6,803,913.80**
III. Long-term financial assets				
1. Shares in affiliated companies	556,539.96	1.00	0.00	556,540.96
2. Loans to affiliated companies	4,053,596.26	1,050,000.00	-4,325,046.00	778,550.26
3. Other loans	0.00	0.00	0.00	0.00
4. Premium reserve shares from reinsurance contracts	1,011,725.61	132,489.39	0.00	1,144,215.00
Long-term financial assets, total	**5,621,861.83**	**1,182,490.39**	**-4,325,046.00**	**2,479,306.22**
Total fixed assets	**16,150,632.01**	**2,399,488.49**	**-4,932,527.12**	**13,617,593.38**

	Accumulated depreciation				Book values	
	As at 1 Jan 2010	Additions	Disposals	As at 31 Dec 2010	As at 31 Dec 2010	As at 31 Dec 2009
	353,578.80	13,333.00	-17,085.00	349,826.80	0.00	13,333.00
	623,937.58	162,688.30	-41,062.32	745,563.56	288,983.00	192,260.00
	1,130,600.00	196,620.00	0.00	1,327,220.00	1,622,780.00	1,819,400.00
	2,108,116.38	**372,641.30**	**-58,147.32**	**2,422,610.36**	**1,911,763.00**	**2,024,993.00**
	4,936,278.80	791,451.80	-531,711.80	5,196,018.80	1,607,895.00	1,459,382.00
	4,936,278.80	**791,451.80**	**-531,711.80**	**5,196,018.80**	**1,607,895.00**	**1,459,382.00**
	556,539.96	1.00	0.00	556,540.96	0.00	0.00
	4,053,596.26	1,050,000.00	-4,325,046.00	778,550.26	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	1,144,215.00	1,011,725.61
	4,610,136.22	**1,050,001.00**	**-4,325,046.00**	**1,335,091.22**	**1,144,215.00**	**1,011,725.61**
	11,654,531.40	**2,214,094.10**	**-4,914,905.12**	**8,953,720.38**	**4,663,873.00**	**4,496,100.61**

Report of the independent auditors on the Annual Financial Statements

We have audited the Annual Financial Statements – comprising the balance sheet, the income statement and the notes to the financial statements – including the bookkeeping system, of secunet Security Networks Aktiengesellschaft, Essen, and the company and group management report for the financial year from 1 January to 31 December 2010. The company's Management Board is responsible for the bookkeeping system and for the preparation of the Annual Financial Statements and company and group management report in accordance with German commercial law. Our responsibility is to issue an opinion on the Annual Financial Statements, including the bookkeeping system, and on the company and group management report on the basis of our audit.

We conducted our audit of the Annual Financial Statements in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch, HGB) and the generally accepted standards for the audit of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance whether the Annual Financial Statements, with due regard to the principles of proper accounting generally accepted in Germany, and the company and group management report are free of material misstatements in their presentation of the net assets, financial position and results of operations. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and evidence supporting the disclosures in the bookkeeping, Annual Financial Statements and company and group management report are examined primarily on a test basis within the framework of the audit. The audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the Annual Financial Statements and of the company and group management report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, the Annual Financial Statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of secunet Security Networks Aktiengesellschaft, Essen, in accordance with German principles of proper accounting. The company and group management report is consistent with the Annual Financial Statements, as a whole provides a suitable view of the company's position, and suitably presents the opportunities and risks of future development.

Essen, 23 March 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Salzmann
Auditor

Sonntag
Auditor

Responsibility Statement

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

Dr Rainer Baumgart Thomas Koelzer Thomas Pleines

Service

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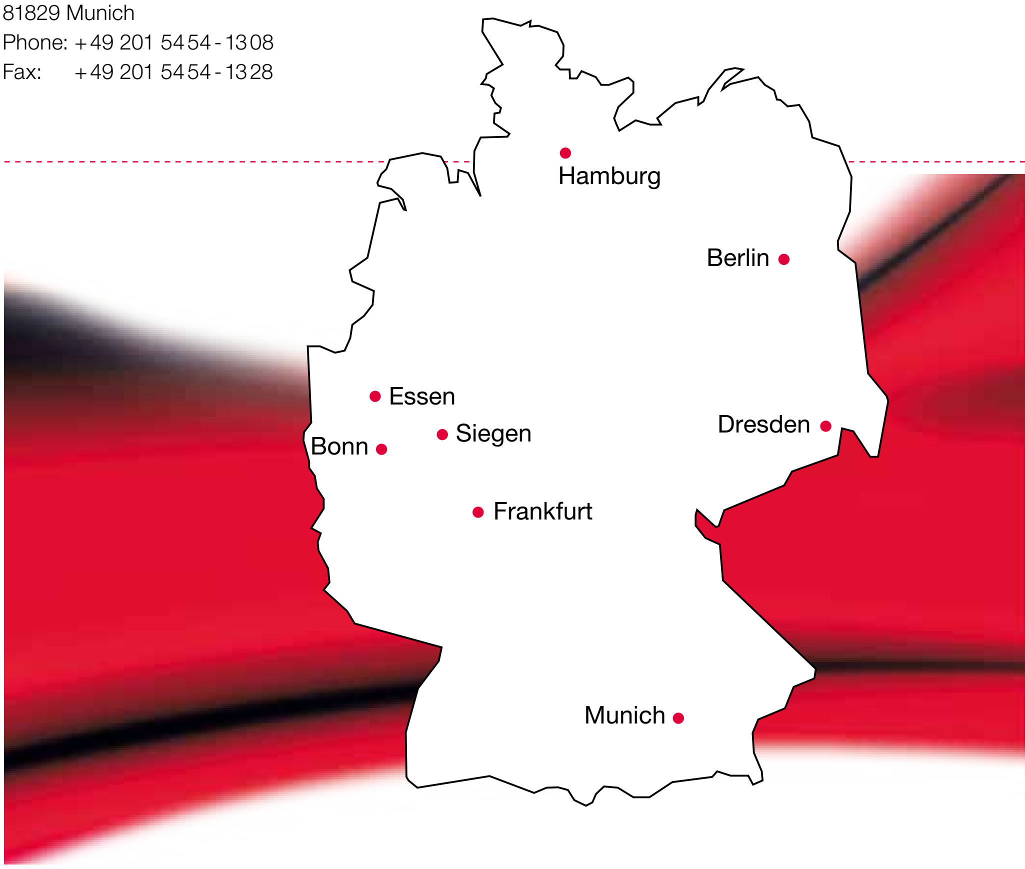

FINANCIAL CALENDAR

2011	
26 January	Publication of preliminary figures
24 March	Publication of Annual Report 2010
28 March	Analysts' conference
10 May	Publication of 3-month report
11 May	Annual General Meeting
10 August	Publication of half-year report
09 November	Publication of 9-month report
21 – 23 November	German Equity Forum

INFORMATION / IMPRINT

Annual Report on the Internet

The secunet Security Networks AG Annual Report can be viewed as a PDF file on the Internet at www.secunet.com. This Annual Report is also available in German. In the event of conflicts the German-language version shall prevail.

Brand names

All the brand and trade names or product names mentioned in this Annual Report are the property of the corresponding holder. This applies in particular for DAX, MDAX, SDAX, TecDAX and XETRA as registered trademarks and property of Deutsche Börse AG.

Imprint

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Concept and Design
Whitepark GmbH & Co., Hamburg
www.whitepark.de

Text
secunet Security Networks AG

Printed by
Zertani GmbH & Co. Die Druckerei KG

Photograph information
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