secunet

HALF-YEAR FINANCIAL REPORT

# 2013 Q2

- Revenue in the first half of the year increased by 8 % to Euro 27.3m
- EBIT improved by Euro 0.4m to Euro -0.3m (previous year Euro -0.7m)
- Order book remains at a high level
- Outlook: forecast unchanged

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

| | H1 2013 | H1 2012 | Change |
|---|---|---|---|
| Revenue (kEuro) | 27,322 | 25,307 | +8% |
| EBIT (kEuro) | -304 | -720 | -/- |
| EBT (kEuro) | -343 | -686 | -/- |
| Profit/loss for the period (kEuro) | -257 | -343 | -/- |
| Earnings per share for the period (Euro) | -0.04 | -0.05 | -/- |
| Cash flow from operating activities (kEuro) | -8,941 | -5,846 | -/- |
| Investments (kEuro) | 855 | 465 | 84% |
| Order book HGB (mEuro, as at 30 June) | 37.7 | 38.0 | -1% |
| Order book IFRS (mEuro, as at 30 June) | 32.0 | 32.7 | -2% |
| Employees (as at 30 June) | 326 | 282 | +16% |

| | 30 June 2013 | 31 Dec 2012 | Change |
|---|---|---|---|
| Cash and cash equivalents (kEuro) | 14,247 | 24,025 | -41% |
| Equity (kEuro) | 30,142 | 30,405 | -1% |
| Equity ratio (in percent) | 67 | 55 | +12 percentage points |
| Loans (kEuro) | 0.0 | 0.0 | -/- |

## Overview of the key figures for the second quarter

| | Q2 2013 | Q2 2012 | Change |
|---|---|---|---|
| Revenue (kEuro) | 13,185 | 12,780 | +3% |
| EBIT (kEuro) | -128 | -890 | -/- |
| EBT (kEuro) | -147 | -876 | -/- |
| Profit/loss for the period (kEuro) | -115 | -467 | -/- |
| Earnings per share for the period (Euro) | -0.02 | -0.07 | -/- |

## The secunet share

| | |
|---|---|
| Reuters | YSNG.DE |
| Bloomberg | YSN |
| WKN | 727650 |
| ISIN | DE0007276503 |

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Price (Euro) | 13.90 | 10.79 |
| Number of shares | 6,500,000 | 6,500,000 |
| Market capitalisation (Euro) | 90,350,000 | 70,135,000 |
| 52W high/low (Euro) | H: 14.05/ L: 9.80 | H: 12.49/ L: 8.50 |

| | H1 2013 | H1 2012 |
|---|---|---|
| Average daily trading volume | 604 | 1,352 |

# Interim Group Management Report for the first half of 2013

## Revenue performance

In the first half of 2013, the revenue of the secunet Group has increased by 8% compared with the previous year, from Euro 25.3m to Euro 27.3m.

The Public Sector and the Business Sector have both contributed to the increase in revenue. The revenue from the Business Sector, which offers IT security for companies in the private sector, has increased sharply.

## Results of operations

The earnings before interest and taxes (EBIT) of the secunet Group for the period from January to June 2013 totalled Euro -0.3m. Compared with the previous year's value of Euro -0.7m, this represents an improvement of Euro 0.4m.

Broken down, the following developments have contributed to this result:

The cost of sales rose by 2% from Euro 21.4m in the first six months of 2012 to Euro 21.8m in the first six months of 2013, and therefore increased at a disproportionately low rate compared with revenue. This was essentially due to a reduced merchandise expense ratio.

Compared with the first half of 2012, selling expenses increased by 44% from Euro 2.9m to Euro 4.1m. The reason for the significant increase is essentially the implementation of the restructuring of the internal organisation of secunet, effective since January 2013. This optimisation of the organisation is targeted at strengthening the product and distribution channel. The increased employee numbers in the areas of distribution and product and portfolio management due to internal restructuring and new appointments leads to higher expenses.

In the first half of 2013, the general administrative costs stood at Euro 1.7m, and so were slightly lower than the level of the previous year (-1%).

Compared to the previous year, the financial result declined from kEuro 34 to kEuro -39, essentially caused by a decline in interest income. Earnings before tax totalled Euro -0.3m in the first half of 2013; in the first half of the previous year this was Euro -0.7m. Due to the formation of deferred taxes, tax income in the amount of Euro 0.1m was generated in the current reporting period, compared to Euro 0.3m in the first six months of 2012.

Earnings for the period after tax therefore totalled Euro -0.26m in the first half of 2013, compared with Euro -0.34m in the same period of the previous year. Earnings per share for the first six months of the year improved slightly from Euro -0.05 to Euro -0.04.

## Segment reporting

Since the beginning of 2013, secunet has optimised its target group-oriented organisation. Supervision of authorities, other public customers and international organisations is dealt with by the Public Sector business unit, while the Business Sector business unit addresses the IT security issues affecting companies in the private sector. Within the two new business units, the former High Security and Government business units (Public Sector) and the Business Security and Automotive Security business units (Business Sector) have been merged. Furthermore, the Support department which was located in the former Business Sector business unit has been affiliated to the Public Sector.

The Public Sector business unit increased revenue by 4% from Euro 19.3m in the first half of 2012 to Euro 20.1m in the current reporting period. The product portfolio in the Public Sector includes the High Security solutions based on the

*SINA* product range, as well as IT security solutions and consulting for eGovernment, authorities and international organisations. The portfolio also includes biometric identification systems for ID and Border Control, among other purposes. The Public Sector contributed 74% of the Group revenue in the first six months of 2013. The EBIT in the Public Sector business unit totalled kEuro -76 (previous year kEuro -641).

The Business Sector business unit provides IT security consulting and solutions for companies in the private sector. The specific industry requirements of vehicle manufacturers and suppliers are also addressed by the Automotive Security area. The Business Sector business unit increased revenue by 21% from Euro 6.0m in the first half of 2012 to Euro 7.2m in the current reporting period. The proportion of the Group revenue rose from 24% in the first half of 2012 to 26% in the current reporting period. The Business Sector business unit generated an EBIT in the amount of kEuro -229 in the first six months of 2013, compared to kEuro -122 in the same period of the previous year.

## Assets and financial position

The following items on the balance sheet show a significant change compared to the figure as at 31 December 2012:

- Other provisions decreased by 50% or Euro 3.4m. The main reason for this is the payment of the variable salary components to the employees of secunet Security Networks AG.

- The trade receivables declined by Euro 2.9m or 15%. Compared to the state of affairs at the end of 2012, a large proportion of invoices have been settled.

- Trade payables also fell, by Euro 4.8m or 66%, as did other short-term liabilities, by Euro 2.9m or 67%. Just like the receivables, there was a considerable backlog of supplier invoices at the end of the year, which were paid. Value-added tax liabilities were also settled.

- The stock-in-trade increased by Euro 1.5m or 60%. This was largely due to suppliers' minimum purchasing volumes for individual products.

- As a result of these changes, the amount of cash was reduced by Euro 9.8m or 41%.

secunet has not taken out any loans and has an unchanged debt/equity ratio of 0%.

## Cash flow

Cash flow from operating activities was Euro -8.9m in the first six months of 2013 compared with Euro -5.8m in the same half-year period in the previous year. This higher negative cash flow was caused essentially by the following factors: compared to the first half of 2012, more receivables were settled by customers (effect: Euro 1.5m), more materials were stocked (effect: Euro -0.9m), a higher amount of reserves was dissolved (effect: Euro -2.2m) and more payables were settled (effect: Euro -2.9m).

Funds amounting to Euro 0.9m were spent on investment activity in the first half of 2013. This corresponds to an increase of Euro 0.4m compared to the first six months of 2012.

This results in a total decrease in financial funds of Euro 9.8m in the first half of 2013. Liquid funds as at 30 June 2013 were therefore Euro 14.2m.

## Investments

In the first six months of 2013, secunet invested a total of kEuro 855. This is an increase of 84% compared to the first six months of the previous year (kEuro 465). secunet invested primarily in new acquisitions and the replacement of hardware, software and other operating equipment.

## Employees

As at 30 June 2013, the number of secunet Group employees totalled 326. Compared to the figure on the same reporting date of the previous year, this means an increase in employee numbers of 44 individuals or 16%. The appointments were made primarily in the areas of Consulting, Development and Sales and were a consequence of the growing demand for products and solutions from secunet and the related high level of capacity utilisation.

## Order book

The secunet Security Networks AG order book measured according to the HGB totalled Euro 37.7m as at 30 June 2013 and stood 1% below the value for the same reporting date of the previous year (Euro 38.0m). The order book according to IFRS totalled Euro 32.0m at the end of the first half of 2013, compared with Euro 32.7m in the previous year. The difference between HGB and IFRS reporting results from the fact that, according to the IFRS provisions on realising revenue, any consultancy services not yet charged but already provided must be included in revenue.

## Outlook

Compared with the time the 2012 Annual Financial Statements were prepared (March 2013), the estimates concerning demand and sales potentials made by the Management Board of secunet Security Networks AG are unchanged. The current discussion about information security confirms the relevance of the portfolio of solutions and services that secunet has been offering to both authorities and private companies for a number of years. The Management Board is therefore maintaining the outlook for 2013: A moderate revenue increase with earnings before interest and tax (EBIT) remaining at the same level as the previous year is anticipated.

## Forward-looking statements

This six-month report contains statements regarding the future performance of secunet Security Networks AG and economic and political developments. These statements are opinions that we have formed based on the information currently available to us. Should the assumptions on which these statements are based not be applicable or should further risks arise, the actual results may deviate from the results currently expected. We cannot therefore offer any guarantee as to the accuracy of these statements.

Essen, 5 August 2013

Dr Rainer Baumgart    Willem Bulthuis    Thomas Pleines

# Condensed consolidated interim financial statements for the first half of 2013

OF SECUNET SECURITY NETWORKS AKTIENGESELLSCHAFT

## Consolidated balance sheet

(IFRS) as at 30 June 2013

| Assets<br>in Euro | 30 June 2013 | 31 Dec 2012 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 14,247,356.43 | 24,024,789.75 |
| Trade receivables | 16,551,168.27 | 19,476,300.11 |
| Intercompany financial assets | 901,328.87 | 1,326,982.95 |
| Inventories | 3,860,377.78 | 2,333,899.73 |
| Other current assets | 253,326.81 | 401,237.54 |
| Income tax receivables | 631,312.00 | 0.00 |
| **Total current assets** | **36,444,870.16** | **47,563,210.08** |
| | | |
| **Non-current assets** | | |
| Property, plant and equipment | 2,002,420.65 | 1,743,094.00 |
| Intangible assets | 103,436.00 | 101,154.00 |
| Goodwill | 2,950,000.00 | 2,950,000.00 |
| Other financial assets | 2,489,257.37 | 2,436,754.41 |
| Deferred taxes | 1,019,889.49 | 774,323.92 |
| **Total non-current assets** | **8,565,003.51** | **8,005,326.33** |
| **Total assets** | **45,009,873.67** | **55,568,536.41** |

## Liabilities

in Euro

| | 30 June 2013 | 31 Dec 2012 |
|---|---|---|
| **Current liabilities** | | |
| Trade accounts payable | 2,494,532.37 | 7,329,061.86 |
| Intercompany payables | 0.00 | 137,296.30 |
| Other provisions | 3,421,214.25 | 6,840,866.10 |
| Income tax liabilities | 371,098.56 | 371,098.56 |
| Other current liabilities | 1,406,865.77 | 4,287,715.55 |
| Deferred income | 2,455,763.32 | 1,796,008.52 |
| **Total current liabilities** | **10,149,474.27** | **20,762,046.89** |
| | | |
| **Non-current liabilities** | | |
| Deferred taxes | 600,208.52 | 440,891.55 |
| Provisions for pensions | 4,020,921.00 | 3,862,617.00 |
| Other provisions | 97,353.00 | 97,353.00 |
| **Total non-current liabilities** | **4,718,482.52** | **4,400,861.55** |
| | | |
| **Equity** | | |
| Share capital | 6,500,000.00 | 6,500,000.00 |
| Capital reserves | 21,922,005.80 | 21,922,005.80 |
| Treasury shares | -103,739.83 | -103,739.83 |
| Group profit/loss carryforward | 2,953,060.90 | -734,266.79 |
| Group profit/loss | -257,184.54 | 3,687,327.69 |
| Accumulated other comprehensive income/loss | -872,225.45 | -865,698.90 |
| **Total equity** | **30,141,916.88** | **30,405,627.97** |
| | | |
| **Total liabilities** | **45,009,873.67** | **55,568,536.41** |

# Consolidated income statement

(IFRS) for the period 1 January 2013 to 30 June 2013

| in Euro | 1 Apr– 30 June 2013 | 1 Apr– 30 June 2012 adjusted | 1 Jan– 30 June 2013 | 1 Jan– 30 June 2012 adjusted |
|---|---|---|---|---|
| Revenue | 13,185,228.05 | 12,780,492.27 | 27,321,858.88 | 25,306,654.94 |
| Cost of sales | -10,236,576.85 | -11,463,299.00 | -21,786,319.85 | -21,427,535.82 |
| **Gross profit on sales** | **2,948,651.20** | **1,317,193.27** | **5,535,539.03** | **3,879,119.12** |
| | | | | |
| Selling expenses | -2,179,674.80 | -1,376,664.08 | -4,132,253.18 | -2,865,138.12 |
| R&D expenses | -8,375.41 | 0.00 | 1,239.47 | 0.00 |
| General administration costs | -888,813.94 | -830,878.25 | -1,710,605.24 | -1,733,631.29 |
| Other operating expenses | 256.31 | 0.00 | 1,768.98 | 0.00 |
| **Earnings from operating activities** | **-127,956.64** | **-890,349.06** | **-304,310.94** | **-719,650.29** |
| | | | | |
| **Earnings before interest and income tax** | **-127,956.64** | **-890,349.06** | **-304,310.94** | **-719,650.29** |
| | | | | |
| Interest income | 12,561.42 | 37,723.22 | 24,122.78 | 80,594.80 |
| Interest expense | -31,680.96 | -23,175.62 | -63,057.99 | -46,630.76 |
| **Earnings before tax** | **-147,076.18** | **-875,801.46** | **-343,246.15** | **-685,686.25** |
| | | | | |
| Income taxes | 32,060.22 | 409,298.28 | 86,061.61 | 343,078.31 |
| **Group profit/loss for the period** | **-115,015.96** | **-466,503.18** | **-257,184.54** | **-342,607.94** |
| | | | | |
| Earnings per share (diluted and undiluted) | -0.02 | -0.07 | -0.04 | -0.05 |
| Average number of shares outstanding (diluted, undiluted, units) | 6,469,502 | 6,469,502 | 6,469,502 | 6,469,502 |

# Consolidated statement of comprehensive income

(IFRS) or the period 1 January 2013 to 30 June 2013

| in Euro | 1 Apr– 30 June 2013 | 1 Apr– 30 June 2012 | 1 Jan– 30 June 2013 | 1 Jan– 30 June 2012 |
|---|---|---|---|---|
| Group profit/loss for the period | -115,015.96 | -466,503.18 | -257,184.54 | -342,607.94 |
| **Items that can be transferred to the income statement** | | | | |
| Currency conversion differences (change not recognised in profit and loss) | -1,772.55 | -5,388.16 | -6,526.55 | 1,925.14 |
| **Comprehensive income/loss** | **-116,788.51** | **-471,891.34** | **-263,711.09** | **-340,682.80** |

# Consolidated Cash flow Statement

(IFRS) for the period 1 January 2013 to 30 June 2013

| in Euro | 1 Jan– 30 June 2013 | 1 Jan– 30 June 2012 adjusted |
|---|---|---|
| **Cash flow from operating activities** | | |
| Group earnings before tax (EBT) for the period | -343,246.15 | -685,686.25 |
| Depreciation and amortisation of tangible and intangible fixed assets | 539,461.21 | 513,566.42 |
| Change in provisions | -3,322,391.85 | -1,103,476.50 |
| Book gains/losses (net) on the sale of intangible assets and of property, plant and equipment | -1,768.98 | 0.00 |
| Interest result | 38,935.21 | -33,964.04 |
| Change in receivables, other assets and prepaid expenses | 1,972,155.15 | 638,052.42 |
| Change in payables and deferred income | -7,192,984.21 | -4,162,898.82 |
| Tax paid | -631,498.99 | -1,011,659.73 |
| **Cash from operating activities** | **-8,941,338.61** | **-5,846,066.50** |
| | | |
| **Cash flow from investing activities** | | |
| Purchase of intangible assets and of property, plant and equipment | -802,352.86 | -412,775.42 |
| Proceeds from the sale of intangible assets and of property, plant and equipment | 3,051.98 | 0.00 |
| Purchase of financial assets | -52,502.96 | -52,502.96 |
| **Cash from investment activities** | **-851,803.84** | **-465,278.38** |
| | | |
| **Cash flow from financing activities** | | |
| Interest received | 24,122.78 | 80,594.80 |
| Interest paid | -2,013.99 | -1,571.76 |
| **Cash generated from financing activities** | **22,108.79** | **79,023.04** |
| Effects of exchange rate changes on cash and cash equivalents | -6,399.66 | 1,946.75 |
| **Changes in cash and cash equivalents** | **-9,777,433.32** | **-6,230,375.09** |
| Cash and cash equivalents at the beginning of the period | 24,024,789.75 | 17,636,344.27 |
| **Cash and cash equivalents at the end of the period** | **14,247,356.43** | **11,405,969.18** |

# Consolidated Statement of changes in equity

(IFRS) for the period from 1 January 2012 to 30 June 2013

| | | | | | Accumulated other comprehensive income/loss | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Items that cannot be transferred to the income statement | | Items that can be transferred to the income statement | |
| in Euro | Share capital | Capital reserves | Treasury shares | Net accumulated profit and losses | Actuarial gains and losses | Deferred taxes | Miscellaneous | Total |
| **Equity at 31 Dec 2011** | **6,500,000.00** | **21,922,005.80** | **-103,739.83** | **-734,266.79** | **86,877.00** | **-28,043.89** | **-8,113.04** | **27,634,719.25** |
| Group loss 1 Jan–30 June 2012 | | | | -342,607.94 | 0.00 | 0.00 | 0.00 | -342,607.94 |
| Other comprehensive income/loss 1 Jan–30 June 2012 | | | | 0.00 | 0.00 | 0.00 | 1,925.14 | 1,925.14 |
| **Equity at 30 June 2012** | **6,500,000.00** | **21,922,005.80** | **-103,739.83** | **-1,076,874.73** | **86,877.00** | **-28,043.89** | **-6,187.90** | **27,294,036.45** |
| Group profit 1 July–31 Dec 2012 | | | | 4,029,935.63 | 0.00 | 0.00 | 0.00 | 4,029,935.63 |
| Other comprehensive income/loss 1 July–31 Dec 2012 | | | | 0.00 | -1,360,490.00 | 439,166.17 | 2,979.72 | -918,344.11 |
| **Equity at 31 Dec 2012** | **6,500,000.00** | **21,922,005.80** | **-103,739.83** | **2,953,060.90** | **-1,273,613.00** | **411,122.28** | **-3,208.18** | **30,405,627.97** |
| Group loss 1 Jan–30 June 2013 | | | | -257,184.54 | 0.00 | 0.00 | 0.00 | -257,184.54 |
| Other comprehensive income/loss 1 Jan–30 June 2013 | | | | 0.00 | 0.00 | 0.00 | -6,526.55 | -6,526.55 |
| **Equity at 30 June 2013** | **6,500,000.00** | **21,922,005.80** | **-103,739.83** | **2,695,876.36** | **-1,273,613.00** | **411,122.28** | **-9,734.73** | **30,141,916.88** |

# Explanatory report

The six-month financial report of secunet Security Networks dated 30 June 2013 was compiled in accordance with the regulations stipulated in the International Accounting Standard (IAS) 34 „Interim Report“. This six-month report is condensed. It is to be read in conjunction with the IFRS Consolidated Financial Statements dated 31 December 2012 (Consolidated Financial Statements). This six-month report was approved by the Management Board of secunet Security Networks AG on 5 August 2013.

## Accounting principles

The consolidation principles and currency translation method for the period from 1 January to 30 June 2013 were in accordance with those in the Company‘s Consolidated Financial Statements for the 2012 financial year. The accounting and valuation methods were retained. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2012 were produced on the basis of Articles 315 and 315a of the German Commercial Code (Handelsgesetzbuch, HGB) and in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union.

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

A tax rate of 32.28% applies to the calculation of income taxes for national companies. Calculation of tax payable on income for foreign companies is based on the relevant rates of tax for those countries.

The preparation of the six-month report requires a series of assumptions and estimates on the part of the management. As a result, it is possible that the figures reported in the interim report deviate from the actual figures.

## Consolidated group

In addition to secunet Security Networks, all subsidiaries whose financial and operating policies secunet has the power to govern are included in the Consolidated Financial Statements. In the reporting period and in the 2012 financial year, there were no minority interests in equity or in the (annual) profit or loss for the respective period.

Compared with 31 December 2012, the consolidated group was unchanged as at 30 June 2013. The two consolidated subsidiaries secunet s.r.o., Prague, Czech Republic, and secunet SwissIT AG, Solothurn, Switzerland, are in liquidation.

## Recently implemented accounting announcements

On 31 December 2012 secunet adopted IAS 19 revised 2011 early, which had been issued by the IASB in June 2011. The amendment was adopted into European law by the EU in June 2012. Earlier adoption is permissible.

In applying IAS 19 revised 2011, the Company is primarily changing the recognition of actuarial gains and losses. Up to the 2011 financial year, actuarial gains or losses were charged to the income statement if they exceeded 10% of the defined benefit obligation at the beginning of the period. On adopting the amendments to IAS 19 revised 2011, the Company now includes all actuarial gains and losses in the accumulated other consolidated result from the time of their creation without affecting the income statement.

The amendments to IAS 19 Employee benefits must be applied retroactively. Accordingly, the adjusted prior year values and the balances carried forward as at 1 January 2012 were amended as follows:

| in Euro | 1 Jan 2012 reported | Amendment | 1 Jan 2012 amended | 30 June 2012 reported | Amendment | 30 June 2012 amended |
|---|---|---|---|---|---|---|
| **Total assets** | **46,235,191.31** | **33,711.62** | **46,268,902.93** | **40,491,280.78** | **33,711.62** | **40,524,992.40** |
| of which deferred tax | 308,218.16 | 33,711.62 | 341,929.78 | 633,777.60 | 33,711.62 | 667,489.22 |
| **Total liabilities and provisions** | **18,529,748.68** | **104,435.00** | **18,634,183.68** | **13,126,520.95** | **104,435.00** | **13,230,955.95** |
| of which pension provisions | 2,097,460.00 | 104,435.00 | 2,201,895.00 | 2,218,738.00 | 104,435.00 | 2,323,173.00 |
| **Total equity** | **27,705,442.63** | **-70,723.38** | **27,634,719.25** | **27,364,759.83** | **-70,723.38** | **27,294,036.45** |
| of which Group loss carryforward | -3,309,090.15 | -129,556.49 | -3,438,646.64 | -604,710.30 | -129,556.49 | -734,266.79 |
| of which accumulated other comprehensive income/loss | -8,113.04 | 58,833.11 | 50,720.07 | -6,187.90 | 58,833.11 | 52,645.21 |

In the context of adopting IAS 19 revised 2011, the recognition of interest expense from the pension provision was also amended. Previously, this was recorded in the operative result under expenses for employee benefits. From the 2012 financial year, this expense will be shown under the financial result. This achieves a better presentation. The figures from the comparison period for the previous year have been adjusted.

| in Euro | 1 Jan– 30 June 2012 reported | Amendment | 1 Jan– 30 June 2012 amended |
|---|---|---|---|
| Revenue | 25,306,654.94 | 0.00 | 25,306,654.94 |
| Cost of sales | -21,452,934.82 | 25,399.00 | -21,427,535.82 |
| **Gross profit on sales** | **3,853,720.12** | **25,399.00** | **3,879,119.12** |
| Selling expenses | -2,875,129.12 | 9,991.00 | -2,865,138.12 |
| General administrative costs | -1,743,300.29 | 9,669.00 | -1,733,631.29 |
| **Earnings from operating activities** | **-764,709.29** | **45,059.00** | **-719,650.29** |
| **Earnings before interest and income tax** | **-764,709.29** | **45,059.00** | **-719,650.29** |
| Interest income | 80,594.80 | 0.00 | 80,594.80 |
| Interest expenses | -1,571.76 | -45,059.00 | -46,630.76 |
| **Earnings before tax** | **-685,686.25** | **0.00** | **-685,686.25** |

## Treasury shares

As at 30 June 2013, the Company held 30,498 treasury shares, the same figure as at 31 December 2012; this equates to 0.5% of its share capital.

## Segment reporting

At the beginning of the 2013 financial year, the secunet Group carried out an organisational restructuring and since then has been divided into two business units, Public Sector and Business Sector. Both business units are shown separately for the purposes of segment reporting, as they meet at least one of the quantitative thresholds defined in IFRS 8.13.

The Public Sector business unit has emerged from the consolidation of the former High Security and Government business units. Furthermore, the Support department which was located in the former Business Sector business unit has been affiliated to the Public Sector.

The Public Sector addresses the highly complex security requirements of authorities, the military and international organisations. The focus of its offering is High Security solutions and products based on the Secure Inter-Network Architecture, *SINA*, developed in conjunction with the German Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik, BSI). The Public Sector also supports authorities in Germany and abroad in all areas relating to eGovernment and IT security. These include, among other things, biometric solutions and electronic ID (eID) documents, the electronic health system (eHealth), security awareness and secure web solutions. This business unit also operates a BSI-certified evaluation laboratory for IT conformity.

The former Business Security and Automotive Security business units are consolidated into the Business Sector business unit.

In the Business Sector the focus is on security issues affecting companies in the private sector. Its product line includes identity management systems, qualified mass signature solutions for electronic invoicing, Public Key Infrastructures, mobile security and network security. In all areas, analyses, consulting and complete solutions are tailored to each customer‘s specific requirements. In addition, solutions to the specific IT security issues affecting the automotive industry are also supplied here.

In conjunction with this restructuring process, the redistribution of the goodwill acquired was carried out applying IAS 36.87 according to a relative valuation. It is distributed across the two business units as follows:

| in kEuro | |
|---|---|
| Public Sector | 2,668 |
| Business Sector | 282 |
| | **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. Cash-generating units correspond to segments.

An impairment test was carried out on the new structure on 1 January 2013 in accordance with IAS 36.

In testing goodwill for impairment in accordance with IAS 36, the recoverable amount of the individual cash-generating units is determined by its value in use. A unit’s value in use is calculated from the discounted cash flows of the respective unit. Cash flows are determined based on the EBIT determined as part of annual planning. This is forwarded to Noplat (net-operating-profit less adjusted taxes) and adjusted for depreciation and investments. A discount rate (WACC) of 10.8% was used for this calculation (31 December 2012: 10.8%). A risk-free interest rate of 4.00% (31 December 2012: 4.00%), a risk premium of 5.00% (31 December 2012: 5.00%) and a beta factor of 1.36 (31 December 2012: 1.36) are used to calculate the discount rate. Since the Company largely operates in the European Economic Area, only one consistent discount rate is used for all cash-generating units. The underlying projections employed are based on the new structure of the business units and cover a period of three years. They take into account past experiences and the management’s expectations regarding the future development of the market, while also considering growth in the detailed planning period. Projections further into the future are made by extrapolating cash flows in perpetuity factoring in a growth rate of 0.5% (31 December 2012: without growth rate) for value in use.

As the discounted 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.

## Segment report H1 2013

in kEuro

| | Public | Business | secunet H1 2013 |
|---|---|---|---|
| Segment revenue | 20,083 | 7,238 | 27,321 |
| Cost of sales | -16,016 | -5,770 | -21,786 |
| Selling expenses | -2,855 | -1,277 | -4,132 |
| Research and development costs | 1 | 0 | 1 |
| Administrative costs | -1,289 | -420 | -1,709 |
| Segment result (EBIT) | -76 | -229 | -305 |
| Interest result | | | -39 |
| Group profit before tax | | | -344 |
| | | | |
| Goodwill | 2,668 | 282 | 2,950 |

## Segment report H1 2012

in kEuro

| | Public | Business | secunet H1 2012 |
|---|---|---|---|
| Segment revenue | 19,326 | 5,981 | 25,307 |
| Cost of sales | -16,532 | -4,920 | -21,452 |
| Selling expenses | -2,156 | -719 | -2,875 |
| Research and development costs | 0 | 0 | 0 |
| Administrative costs | -1,279 | -464 | -1,743 |
| Segment result (EBIT) | -641 | -122 | -763 |
| Interest result | | | 42 |
| Group profit before tax | | | -721 |
| | | | |
| Goodwill | 2,668 | 282 | 2,950 |

The previous year‘s figures have been adapted to the modified segmentation.

The transfer prices are essentially in line with the prices for third-party transactions.

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 result.

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.

## Related party disclosures

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

In the first six months of 2013, no Management Board members were promised or granted any benefits by a third party in respect of their activity as members of the Management Board. In the first six months of 2013, the members of the Supervisory Board did not receive any other remuneration (over and above the Supervisory Board remuneration as regulated in the Articles of Association of secunet Security Networks) or benefits for services provided personally, in particular consulting and agency services. Neither the members of the Management Board nor the members of the Supervisory Board received any loans from the Company.

## Events after the end of the interim reporting period

There were no significant events after the reporting date.

Essen, 5 August 2013

Dr Rainer Baumgart Willem Bulthuis Thomas Pleines

# Review Report

## To secunet Security Networks AG

We have reviewed the Condensed Consolidated Interim Financial Statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated cash flow statement, the consolidated statement of changes in equity and selected explanatory notes, together with the Interim Group Management Report of secunet Security Networks AG, Essen, for the period from 1 January to 30 June 2013, which are the components of the half-year financial report pursuant to Section 37w of the German Securities Trading Law (WpHG). The Company's legal representatives are responsible for the preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS standards for interim reporting as applicable in the EU, and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Law applicable to interim group management reports. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

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

On the basis of our review, no matters have come to our attention that cause us to presume that the Condensed Consolidated Interim Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as they apply in the EU nor that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Law applicable to interim group management reports.

Essen, 6 August 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Salzmann | Krecher |
| Auditor | Auditor |

# Responsibility Statement

„To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the Consolidated Interim Financial Statement give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.“

Essen, 5 August 2013

Dr Rainer Baumgart Willem Bulthuis Thomas Pleines

## Financial Calendar 2013

| 2013 | |
|---|---|
| 7 August | Publication of the 6-Month Report 2013 |
| 6 November | Publication of the 9-Month Report 2013 |

secunet

Imprint

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