

3-MONTH REPORT

2014

Q1

- Revenue declines by 3 % to Euro 13.8 million
- EBIT: Euro -1.3 million compared with Euro -0.2 million in the previous year
- Order book on a par with the previous year's level
- Forecast unchanged

Overview of key figures for the first three months

	Q1 2014	Q1 2013	Change in %
Revenue (Euro thousand)	13,747	14,136	-3
EBIT (Euro thousand)	-1,260	-176	>-100
EBT (Euro thousand)	-1,283	-196	>-100
Profit/loss for the period (Euro thousand)	-883	-142	>-100
Earnings per share for the period (Euro)	-0.14	-0.02	>-100
Cash flow from operating activities (Euro thousand)	-7,531	-5,185	-45
Capital expenditure (Euro thousand)	271	416	-35
Order book (IFRS, Euro million)	35.6	35.6	0
Employees (as at 31 March)	346	310	+12

	31 Mar 2014	31 Dec 2013	Change in %
Cash and cash equivalents (Euro thousand)	21,457	29,265	-27 %
Equity (Euro thousand)	32,196	33,079	-3 %
Equity ratio (in %)	66.3	57.6	+8.7 percentage points
Loans (Euro thousand)	0	0	0

The secunet share

Reuters	YSNG.DE
Bloomberg	YSN
WKN	727650
ISIN	DE0007276503

	31 Mar 2014	28 Mar 2013
Price (Euro)	22.10	13.21
Number of shares	6,500,000	6,500,000
Market capitalisation (Euro)	143,650,000	85,865,000
52W high/low (Euro)	H: 22.75/ L: 11.20	H: 13.70/ L: 9.80

	Q1 2014	Q1 2013
Average Xetra trading volume	1,394	593

Group Interim Management Report as at 31 March 2014

Revenue performance

In the period from January to March 2014, the secunet Group achieved revenue of Euro 13.8 million. This corresponds to a decline of Euro 0.3 million or 3% compared with the previous year (Euro 14.1 million). Revenue decreased to the same extent in the Public Sector and Business Sector business units. This development was the result of weaker performance in the product and consulting business, mainly due to the provisional budget management of the German federal authorities.

Earnings performance

The earnings before interest and taxes (EBIT) of the secunet Group for the first three months of the 2014 financial year totalled Euro -1.3 million. The previous year's figure was Euro -0.2 million, meaning that EBIT fell by Euro 1.1 million.

With regard to the individual expense items the following developments occurred:

Due to higher material costs, the cost of sales rose by 3% from Euro 11.5 million to Euro 11.9 million.

Selling expenses went up by 16% from Euro 2.0 million in the first quarter of 2013 to Euro 2.3 million. This is mainly attributable to increased personnel expenditure, travel expenses and material costs as a result of investment in product management and sales.

The general administration costs remained constant at Euro 0.8 million.

Overall, costs rose by 5% or Euro 0.7 million from Euro 14.3 million in the period from January to March 2013 to Euro 15.0 million in the same period of the current year. The simultaneous drop in revenue of Euro 0.4 million results in the Euro 1.1 million decrease in EBIT.

The financial result for January to March 2014 was Euro -23 thousand, thus remaining relatively unchanged from the value of Euro -20 thousand seen in the first quarter of 2013. Earnings before taxes (EBT) therefore fell from Euro -0.2 million in the first quarter of 2013 to Euro -1.3 million in the first quarter of the current year.

In the first quarter of 2013, tax income of Euro 54 thousand was achieved. In the same period of 2014 this value increased to Euro 399 thousand due to the higher negative result before taxes for which deferred tax assets were formed.

The result after taxes for the period from January to March 2014 was a loss of Euro -0.9 million compared with Euro -0.1 million in the previous year. Earnings per share for the first quarter of 2014 amounted to Euro -0.14 compared with Euro -0.02 in the previous year.

Segment reporting

secunet Security Networks AG is divided into two business units according to target group.

The Public Sector business unit serves customers in the public sector. In Germany these are authorities and other public clients, and abroad international organisations and respective national public clients. 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. In the Public Sector business unit, revenue for the months from January to March decreased by 3% from Euro 10.5 million in 2013 to Euro 10.2 million in the current year. The earnings before

interest and taxes (EBIT) in the business unit were Euro -1.1 million compared with Euro +0.2 million in the first quarter of the previous year. With a contribution of 75% (previous year 74%) to Group revenue, the Public Sector business unit and the public clients target group account for the largest proportion of secunet business.

25% of Group revenue in the first quarter of 2014 (previous year 26%) was generated in the Business Sector business unit. This business unit addresses IT security issues affecting the private sector with services including IT security consulting and solutions for companies in the private sector. It specialises in solutions for the automotive industry and for providers in the field of critical infrastructures (including suppliers). In the first quarter of 2014, the Business Sector business unit achieved revenue of Euro 3.5 million, which is a decrease of 3% compared with the previous year (Euro 3.6 million). The segment's EBIT for the period from January to March 2014 was Euro -0.2 million compared with Euro -0.4 million in the previous year.

Assets and financial position

The following items on the balance sheet show a significant change compared with the figure as at 31 December 2013:

- Trade receivables decreased by Euro 2.0 million or 13% from Euro 15.4 million to Euro 13.4 million. This was due to the settlement of invoices from the strong fourth quarter of 2013 by customers.
- Deferred tax assets increased significantly from Euro 0.7 million to Euro 1.2 million due to the deterioration of the tax result.
- Trade payables decreased sharply – by Euro 5.2 million or 71% – from Euro 7.3 million at the end of 2013 to Euro 2.1 million at the end of March 2014. This was due to the settlement of supplier invoices by secunet.
- Other provisions declined by Euro 1.7 million or 35% from Euro 5.0 million to Euro 3.3m. The main reason for this was the payment of variable remuneration components to the employees of secunet Security Networks AG for the year 2013.
- Other current liabilities – consisting mainly of value-added tax liabilities – fell by 47% or Euro 2.2 million from Euro 4.6 million to Euro 2.4 million.
- In parallel with the aforementioned changes, cash and cash equivalents (liquid funds) decreased by 27% or Euro 7.8 million from Euro 29.3 million to Euro 21.5 million.

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

Cash flow

At Euro -7.5 million, cash flow from operating activities is below the previous year's figure of Euro -5.2 million. The increase of Euro 2.3 million in cash outflow is attributable to the lower Group earnings before taxes for the period (effect: Euro -1.1 million), reduced utilisation of provisions (effect: Euro +1.1 million), lower build-up of receivables (effect: Euro -1.1 million), greater reduction of liabilities (effect: Euro -1.0 million) and higher outflows of liquidity for tax prepayments (effect: Euro -0.3 million).

Funds amounting to Euro 0.3 million were spent on investment activities in the first quarter of 2014, compared with Euro 0.4 million in the same period of the previous year.

This results in a total decrease in cash and cash equivalents of Euro 7.8 million after three months of the 2014 financial year. Liquid funds as at 31 March 2014 were therefore Euro 21.5 million.

Investments

In the first three months of 2014, secunet invested a total of Euro 0.3 million, following investment of Euro 0.4 million in the previous year period. secunet's capital expenditure was mainly for the purchase and replacement of hardware, software and other business equipment.

Employees

As at 31 March 2014, the number of secunet Group employees totalled 346, which is 36 individuals or 12% more than on the same reporting date of the previous year. The appointments were made primarily in the areas of consulting, development and sales.

Order book

As at 31 March 2014, the order book according to IFRS of secunet Group totalled Euro 35.6 million. This corresponds to the figure for the same reporting date in the previous year. The present provisional budget management of the German federal authorities is having a dampening effect on the order book in the current year.

Outlook, risks and opportunities

Compared with the preparation phase of the 2013 Annual Financial Statements (March 2014), the estimates of the Management Board with regard to business development in 2014 are unchanged. Its view of opportunities and risks for secunet Security Networks AG also remains the same. No risks that threaten the continued existence of the Company have currently been identified.

Owing to the provisional budget management, some procurement plans were delayed in getting underway. The Management Board expects this to be reflected in a resultant upturn in incoming orders in the second half of the year. The Management Board is therefore maintaining its forecast for the 2014 financial year. A significant increase in both revenue and earnings before interest and taxes (EBIT) is anticipated: the business results should even exceed those of the strong year 2012.

Forward-looking statements

This 3-Month Report contains statements regarding the future performance of secunet Security Networks AG and economic and political developments. These statements are opinions that we have formed based on the information currently available to us. 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, 6 May 2014

Dr Rainer Baumgart

Willem Bulthuis

Thomas Pleines

Condensed Interim Report for the first quarter of 2014

OF SECUNET SECURITY NETWORKS AKTIENGESELLSCHAFT

Consolidated balance sheet

(IFRS) as at 31 March 2014

Assets in Euro	31 Mar 2014	31 Dec 2013
Current assets		
Cash and cash equivalents	21,456,975.48	29,265,027.15
Trade receivables	13,410,204.48	15,363,069.15
Intercompany financial assets	37,363.81	371,905.64
Inventories	3,788,918.32	3,634,082.80
Other current assets	504,249.58	376,927.27
Income tax receivables	603,629.71	136,704.68
Total current assets	39,801,341.38	49,147,716.69
Non-current assets		
Property, plant and equipment	1,827,241.84	1,860,397.00
Intangible assets	157,676.00	133,737.00
Goodwill	2,950,000.00	2,950,000.00
Other financial assets	2,635,209.33	2,608,957.87
Deferred taxes	1,162,289.19	682,261.37
Total non-current assets	8,732,416.36	8,235,353.24
Total assets	48,533,757.74	57,383,069.93

Liabilities in Euro	31 Mar 2014	31 Dec 2013
Current liabilities		
Trade accounts payable	2,113,202.74	7,306,479.12
Intercompany payables	0.00	25,773.19
Other provisions	3,273,903.78	5,001,701.68
Income tax liabilities	0.00	98,248.27
Other current liabilities	2,443,016.63	4,581,351.72
Deferred income	4,263,854.95	3,197,455.83
Total current liabilities	12,093,978.10	20,211,009.81
Non-current liabilities		
Deferred taxes	340,784.80	260,213.60
Provisions for pensions	3,788,924.30	3,718,796.00
Other provisions	114,111.00	114,111.00
Total non-current liabilities	4,243,820.10	4,093,120.60
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 carried forward	5,328,948.44	2,953,060.90
Group deficit/profit	-883,191.48	2,375,887.54
Accumulated other comprehensive income/loss	-568,063.39	-568,274.89
Total equity	32,195,959.54	33,078,939.52
Total liabilities	48,533,757.74	57,383,069.93

Consolidated income statement

(IFRS) for the period 1 January 2014 to 31 March 2014

in Euro	1 Jan– 31 March 2014	1 Jan– 31 March 2013
Revenue	13,747,382.10	14,136,630.83
Cost of sales	-11,919,156.03	-11,549,743.00
Gross profit on sales	1,828,226.07	2,586,887.83
Selling expenses	-2,255,766.88	-1,952,578.38
R&D expenses	-10,500.74	9,614.88
General administration costs	-821,603.91	-821,791.30
Other operating expenses	0.00	1,512.67
Earnings from operating activities	-1,259,645.46	-176,354.30
Earnings before interest and income tax	-1,259,645.46	-176,354.30
Interest income	11,037.48	11,561.36
Interest expense	-33,941.78	-31,377.03
Earnings before tax	-1,282,549.76	-196,169.97
Income taxes	399,358.28	54,001.39
Group loss for the period	-883,191.48	-142,168.58
Earnings per share (diluted and undiluted)	-0.14	-0.02
Average number of shares outstanding (diluted, undiluted, units)	6,469,502	6,469,502

Consolidated statement of comprehensive income

(IFRS) for the period 1 January 2014 to 31 March 2014

in Euro	1 Jan– 31 March 2014	1 Jan– 31 March 2013
Group loss for the period	-883,191.48	-142,168.58
Items that can be transferred to the income statement		
Currency conversion differences (change not recognised in profit and loss)	211.50	-4,754.00
Comprehensive income/loss	-882,979.98	-146,922.58

Consolidated Cash flow Statement

(IFRS) for the period 1 January 2014 to 31 March 2014

in Euro	1 Jan – 31 March 2014	1 Jan – 31 March 2013
Cash flow from operating activities		
Group earnings before tax (EBT) for the period	-1,282,549.76	-196,169.97
Depreciation and amortisation of tangible and intangible fixed assets	270,341.18	269,736.70
Change in provisions	-1,691,092.60	-2,800,704.03
Book gains/losses (net) on the sale of intangible assets and of property, plant and equipment	0.00	-1,512.67
Interest result	22,904.30	19,815.67
Change in receivables, other assets and prepaid expenses	2,005,248.28	3,136,123.72
Change in payables and deferred income	-6,290,985.54	-5,296,368.35
Tax paid	-565,271.64	-315,687.26
Cash from operating activities	-7,531,405.78	-5,184,766.19
Cash flow from investing activities		
Purchase of intangible assets and of property, plant and equipment	-271,201.02	-415,726.70
Proceeds from the sale of intangible assets and of property, plant and equipment	10,076.00	2,795.67
Purchase of financial assets	-26,251.46	-26,251.48
Cash from investment activities	-287,376.48	-439,182.51
Cash flow from financing activities		
Interest received	11,037.48	11,561.36
Interest paid	-518.78	-855.03
Cash generated from financing activities	10,518.70	10,706.33
Effects of exchange rate changes on cash and cash equivalents	211.89	-4,667.96
Changes in cash and cash equivalents	-7,808,051.67	-5,617,910.33
Cash and cash equivalents at the beginning of the period	29,265,027.15	24,024,789.75
Cash and cash equivalents at the end of the period	21,456,975.48	18,406,879.42

Consolidated Statement of changes in equity

(IFRS) for the period from 1 January 2013 to 31 March 2014

	Share capital	Capital reserves	Treasury shares	Net accumulated profit and losses	Accumulated other comprehensive income/loss			Total
					Items that cannot be transferred to the income statement	Deferred taxes	Items that can be transferred to the income statement	
in Euro					Actuarial gains and losses		Miscellaneous	
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–31 March 2013				-142,168.58	0.00	0.00	0.00	-142,168.58
Other comprehensive income/loss 1 Jan–31 March 2013				0.00	0.00	0.00	-4,754.00	-4,754.00
Equity at 31 March 2013	6,500,000.00	21,922,005.80	-103,739.83	2,810,892.32	-1,273,613.00	411,122.28	-7,962.18	30,258,705.39
Group profit 1 Apr–31 Dec 2013				2,518,056.12	0.00	0.00	0.00	2,518,056.12
Other comprehensive income/loss 1 Apr–31 Dec 2013				0.00	460,406.00	-148,619.06	-9,608.93	302,178.01
Equity at 31 Dec 2013	6,500,000.00	21,922,005.80	-103,739.83	5,328,948.44	-813,207.00	262,503.22	-17,571.11	33,078,939.52
Group loss 1 Jan–31 March 2014				-883,191.48	0.00	0.00	0.00	-883,191.48
Other comprehensive income/loss 1 Jan–31 March 2014				0.00	0.00	0.00	211.50	211.50
Equity at 31 March 2014	6,500,000.00	21,922,005.80	-103,739.83	4,445,756.96	-813,207.00	262,503.22	-17,359.61	32,195,959.54

Explanatory report

secunet Security Networks' 3-Month Report for the period ending 31 March 2014 was compiled in accordance with the International Accounting Standard (IAS) 34 „Interim Financial Reporting“. This 3-Month Report is condensed. It is to be read in conjunction with the IFRS consolidated financial statements dated 31 December 2013 (Consolidated Financial Statements). This 3-Month Report was approved by the Management Board of secunet Security Networks AG on 6 May 2014.

Accounting principles

From 1 January 2014, the provisions of IFRS 10, 11 and 12 are to be applied to consolidation. In this respect, the consolidation principles have changed from those used for the Consolidated Annual Financial Statements for the 2013 financial year. This application has not had any effect on the interim financial statements.

The currency translation, accounting and measurement methods correspond to those used for the Consolidated Annual Financial Statements for the 2013 financial year. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2013 were produced on the basis of Articles 315 and 115a 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 3-Month Report requires a series of assumptions and estimates on the part of the management. As a result, it may be that the figures reported in the interim report will deviate from the actual figures.

Consolidated Group

In addition to secunet Security Networks AG, the Consolidated Financial Statements include all associate companies that are controlled by secunet AG. Control is considered to exist if secunet has the authority to dispose of the associate company, has a right to variable returns from the participation and has the opportunity to use the authority to dispose of the associate company in a way that can influence the variable returns.

Compared with 31 December 2013, the consolidated Group was unchanged as at 31 March 2014. The two consolidated subsidiaries secunet s.r.o., Prague, Czech Republic, and secunet SwissIT AG, Solothurn, Switzerland, are in liquidation.

Treasury shares

As at 31 March 2014 the Company held 30,498 treasury shares, the same figure as at 31 December 2013; this equates to 0.5% of its share capital.

Segment reporting

The secunet Group is split into two business units, the Public Sector and the 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 addresses the highly complex security requirements of authorities, the military and international organisations. It focuses on 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.

In the Business Sector business unit the focus is on security issues affecting companies in the private sector. Its product line includes 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 and for providers in the field of critical infrastructures are also supplied here.

Segment report Q1 2014

in Euro thousand

	Public Sector	Business Sector	secunet Q1 2014
Segment revenue	10,244	3,503	13,747
Cost of sales	-9,131	-2,788	-11,919
Selling expenses	-1,548	-707	-2,255
Research and development costs	-11	0	-11
Administration costs	-627	-195	-822
Segment result	-1,073	-187	-1,260
Interest result			-23
Group profit before tax			-1,283
Goodwill	2,668	282	2,950

Segment report Q1 2013

in Euro thousand

	Public Sector	Business Sector	secunet Q1 2013
Segment revenue	10,511	3,625	14,136
Cost of sales	-8,379	-3,171	-11,550
Selling expenses	-1,344	-608	-1,952
Research and development costs	10	0	10
Administration costs	-621	-200	-821
Segment result	177	-354	-177
Interest result			-19
Group profit before tax			-196
Goodwill	2,668	282	2,950

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 and its affiliated companies, in the course of their normal business activities. In addition, the main shareholder is granted short-term loans. All transactions are conducted in accordance with normal market practice.

In the first three months of 2014, no Management Board members were promised or granted any benefits by a third party in respect of their activity as members of the Management Board. In the first three months of 2014, 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, 6 May 2014

Dr Rainer Baumgart

Willem Bulthuis

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Financial Calendar

2014

7 May	3-Month Report 2014
14 May	Annual General Meeting
6 August	Half-year Financial Report 2014
5 November	9-Month Report 2014

secunet

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