

secunet Security Networks AG

Group Quarterly Statement, 31 March 2019

Group sales and EBIT

In the period from January to March 2019, secunet Group achieved revenue of 40.4 million euros. Compared to the revenue during the same period of the previous year (27.2 million euros), this represents an increase of 49% or 13.2 million euros, which results primarily from growth in the product business (trade goods, licences, maintenance and support). The significantly positive change on the previous year is mainly attributable to the revenues in conjunction with the secunet healthcare connector (secunet konnektor).

Primarily due to the change in the individual segments described in the following segment report, secunet Group achieved earnings before interest and taxes (EBIT) of 2.4 million euros in the first three months of 2019, thus roughly matching the level of the previous year (2.5 million euros).

Segment reporting

secunet Group has a target group-oriented organisational structure from which the operating segments (divisions) are derived.

The first of these is the Business Sector division, which provides 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 utilities). The Business Sector division has been supplying the secunet healthcare connector since December 2018. The new healthcare market segment has made a very successful start in terms of sales: mainly as a result of sales revenue in conjunction with the secunet healthcare connector, revenue in the Business Sector division in the period from January to March 2019 rose sharply by 15.5 million euros to 19.1 million euros compared with the previous year's level (3.6 million euros). The division's share in the Group's sales revenue increased significantly to 47% (previous year: 13%). The focus of business with the healthcare connector is expected to be in the first half-year, as this is when deliveries and installations in medical practices are to be carried out. The Business Sector division achieved an EBIT of 2.1 million euros in the first three months of 2019 after -0.3 million euros in the same period of the previous year. The improvement in EBIT is mainly attributable to the revenues in conjunction with the secunet healthcare connector. In the future, the company is anticipating a further improvement in profitability due to the expected maintenance income.

The second operating segment is the Public Sector division, which looks after public clients. These include authorities in Germany and international and national organisations abroad. The Public Sector product portfolio includes high-security solutions related to the SINA product family and automatic border control systems, as well as IT security solutions and consulting. For the Public Sector division, the first quarter was characterised by a rather

restrained business performance, as is typical for the start of the year: sales fell by 10% or 2.3 million euros year on year, from 23.6 million euros in the period from January to March 2018 to 21.3 million euros in the reporting period. The Management Board expects this effect to be offset in 2019 as a whole. This means that the Public Sector division contributed 53% to Group sales in the first quarter of 2019 (previous year: 87%). Due to existing cost structures, EBIT in the Public Sector division fell from 2.8 million euros during the first three months of 2018 to 0.3 million euros during the same period of the current year.

Cash flow and liquid assets

21.2 million euros in cash and cash equivalents was disbursed during the first three months of the 2019 financial year, compared to 8.6 million euros during the previous year. The increased liquidity outflows are attributable to higher trade receivables resulting from the abrupt increase in business with the secunet healthcare connector.

Cash holdings amounted to 34.9 million euros as at 31 March 2019, compared with 56.1 million euros as at 31 December 2018.

Order book

As at 31 March 2019, secunet Group's order book in accordance with IFRS amounted to 84.4 million euros, compared with 60.4 million euros as at the previous year's reporting date, and 79.7 million euros at year-end 2018. The increase in the order book is also primarily due to orders for the healthcare connector.

Outlook

secunet is excellently positioned in the growth market of IT security. The Management Board assesses business performance so far in 2019 as good. Against the backdrop of the results already achieved in the first quarter and the well-filled order book, the Management Board of secunet Security Networks AG has raised its forecast for secunet Group to sales revenues of around 190 million euros and earnings before interest and taxes (EBIT) of around 30 million euros (2018 financial year: sales revenues 163.3 million euros, EBIT 26.9 million euros). Until now, the company was anticipating a slight increase in sales revenues and an EBIT margin slightly below the previous year's level.

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Forward-looking statements

This Interim Communication contains statements regarding the future performance of secunet Security Networks AG, as well as 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.

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