

secunet Security Networks AG

Group Quarterly Statement as at 30 September 2023

Revenue development

In the first nine months of 2023, secunet Group recorded a revenue increase to 239.0 million euros, reflecting a growth of 12 percent compared to the previous year (213.0 million euros). This positive trend continued into the third quarter of 2023, with revenue reaching 87.6 million euros – a 13 percent increase compared to the same quarter of the previous year (77.5 million euros). This growth was mainly driven by positive business developments in the Public Sector segment.

Both in the German market and international business, secunet Group achieved positive growth during the first nine months of 2023. Revenue in Germany increased from 193.0 million euros in the previous year to 217.1 million euros in the current reporting period. In international business, secunet generated revenue of 21.9 million euros, up from 20.0 million euros in the previous year. The share of international business in the total revenue remained stable at 9 percent.

Earnings development

The revenue growth was offset by an increase in costs, resulting from the implementation of forward-looking projects and investments to expand the product portfolio. The company's focus continues to be on the targeted development of a highly secure cloud infrastructure, primarily driven by the SysEleven GmbH, acquired in May 2022. In addition to the effects from the purchase price allocation of SysEleven GmbH, including regular depreciation of identified assets, the necessary personnel expansion for development also contributed to the cost increase in the first nine months of 2023.

Furthermore, secunet Group experienced a change in the product mix during the reporting period compared to the previous year, leading to different profit margins. This resulted from a higher proportion of sales of goods and a lower proportion of licenses and services.

As a result of these factors, the earnings before interest and taxes (EBIT) for the first nine months of 2023 amounted to 9.7 million euros, below the previous year's value of 23.9 million euros. In the third quarter of 2023, the EBIT was 5.7 million euros, compared to 9.0 million euros in the same quarter of the previous year.

Segment reporting

secunet Group is segmented based on target groups into two business segments.

Public Sector

The focus of secunet Group's business is on federal ministries, national and international government institutions, and defence organizations. The Public Sector segment, covering these activities, significantly contributes to the Group's revenue. In the first nine months of 2023, the share was approximately 85 percent (previous year: 84 percent). Revenues increased significantly to 204.3 million euros, a growth of 14 percent compared to the previous year (179.8 million euros). This positive development was mainly due to successful product sales within the SINA family.

Similar to the Group level, costs also increased in the Public Sector segment. The reasons are analogous to those at the Group level. Consequently, the EBIT in the Public Sector segment decreased in the reporting period to 11.6 million euros, from 23.2 million euros in the previous year.

Business Sector

The Business Sector segment serves two markets in the private sector: healthcare and industry. Approximately 15 percent of the Group's revenue was generated in this area from January to September 2023 (previous year: 16 percent). Revenues amounted to 34.7 million euros, slightly above the level of the previous year (33.2 million euros). Due to cost developments, the EBIT decreased to -1.9 million euros, compared to 0.7 million euros in the previous year.

Order situation

As of 30 September 2023, the order backlog in the entire Group reached a high level due to a very good order intake. The total fixed orders amounted to 197.0 million euros. This represents a 17 percent increase in the order backlog compared to the previous year's date (168.6 million euros). It is expected that a significant portion of these orders will be realized in the final quarter. Additionally, further sales opportunities typically arise from short-term calls from framework agreements in the Public Sector segment.

Cash flow and liquidity

The cash flow from operating activities improved from -34.9 million euros in the previous year period to -6.6 million euros in the current reporting period. This positive development was achieved through a reduction in working capital, compensating for the effects of lower earnings before taxes. It should be noted that a negative cash flow from operating activities in the first nine months of a year is typical due to the seasonal pattern of the business model.

The cash flow from investing activities, amounting to -5.9 million euros, mainly included investments in intangible assets and property, plant, and equipment. In comparison, the

corresponding value in the previous year was -53.8 million euros, heavily influenced by the acquisition of SysEleven GmbH. No acquisitions were made in the current reporting period.

The cash flow from financing activities amounted to -4.4 million euros (previous year: -27.0 million euros) and resulted mainly from dividend payments made as well as deposits from the drawdown of a current account credit.

After the first nine months of 2023, there was a total outflow of cash and cash equivalents amounting to 16.9 million euros. The cash and cash equivalents balance as of 30 September 2023 was 4.6 million euros (31 December 2022: 21.5 million euros, 30 September 2022: 3.3 million euros).

Employees

At the end of the first nine months of 2023, secunet employed a total of 1,029 permanent employees company-wide. This figure increased by 74 permanent employees, representing an 8 percent growth compared to the same date in the previous year (955 permanent employees). Additionally, as of the reporting date, secunet employed 62 temporary staff (previous year: 95 temporary staff). In total, 1,091 individuals were working for the secunet Group (previous year: 1,050 employees).

The growth in the number of employees primarily serves the expansion and diversification of the product portfolio, especially in the area of Cloud Security for highly secure applications. Moreover, this increase in employees creates additional operational capacities necessary for the company's future growth.

Opportunities and risks

Since the publication of the 2022 annual report (March 2023), the Management Board's perspective on opportunities and risks for the secunet Group has not changed. Risks that could jeopardize the company's continuity are not currently identifiable.

Outlook

In an ad-hoc announcement on 27 October 2023, the Management Board updated its forecast for the current fiscal year 2023: Revenue is expected to be at least 375 million euros (previously: around 375 million euros, 2022: 347.2 million euros). EBIT is anticipated to be around 42 million euros (previously: around 50 million euros, 2022: 47.0 million euros). This corresponds to an estimated EBIT margin of approximately 11.2 percent (previously: approximately 13.3 percent, 2022: 13.5 percent).

Additionally, in the same ad-hoc announcement, the Management Board provided an initial outlook for the fiscal year 2024. The plans for 2024 are not yet finalized; however, the Management Board currently expects earnings to be at a similar level.

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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