

3-MONTH REPORT 2011

Q1

- 23% DECLINE IN REVENUE FROM EURO 13.3M TO EURO 10.2M
- EBIT OF EURO -1.4M IN Q1 2011, PREVIOUS YEAR: EURO 0.1M
- ORDER BOOK: +7%, TO EURO 27.8M

OVERVIEW OF KEY FIGURES FOR THE FIRST THREE MONTHS

	Q1 2011	Q1 2010	Change in %
Revenue (kEuro)	10,244	13,258	-23%
EBIT (kEuro)	-1,438	128	-/-
EBT (kEuro)	-1,421	305	-/-
Profit/loss for the period (kEuro)	-1,046	185	-/-
Earnings per share for the period (Euro)	-0.16	0.03	-/-
Cash flow from operating activities (kEuro)	-2,848	-2,273	-25%
Capital expenditure (kEuro)	186	303	-37%
Orders on hand (Euro m)	27.8	25.9	+7%
Employees (as at 31 March)	284	289	-2%

	31 Mar 2011	31 Dec 2010	Change in %
Cash and cash equivalents (kEuro)	11,313	14,344	-21.1%
Equity (kEuro)	23,990	25,015	-4.1%
Equity ratio (in %)	69%	59%	+10 percentage points
Loans (kEuro)	0.0	0.0	-/-

SECUNET SHARE DATA

Reuters	YSENG.DE
Bloomberg	YSN
WKN	727650
ISIN	DE0007276503

	31 Mar 2011	31.03.2010
Price (Euro)	10.55	9.37
Number of shares	6,500,000	6,500,000
Market capitalisation (Euro)	68,575,000	60,905,000
52W high/low (Euro)	H: 12.60/L: 9.01	H: 10.18/L: 3.55

	Q1 2011	Q1 2010
Average daily trading volume (XETRA)	1,536	2,417

Interim management report for the first quarter of 2011

REVENUE PERFORMANCE

In the first quarter of 2011, the revenues of the secunet Group fell versus the first quarter of 2010 from Euro 13.3m to Euro 10.2m, a drop of 23% or Euro 3.1m.

This decline in revenue was primarily attributable to the continued postponement of major orders. secunet's business is dependent on the receipt of large orders, the timing of which cannot be forecast precisely. This leads to a certain volatility in business performance. The impact of this can be clearly seen in the revenue performance of the *High Security* business unit, which supplies among others the German army with its *SINA* product line. That business unit saw a decrease in revenues from Euro 7.2m in the first quarter of 2010 to Euro 4.6m in the first quarter of 2011.

RESULTS OF OPERATIONS

Other operating income generated by the secunet Group fell from Euro 0.9m during the first three months of 2010 to Euro 0.4m during the same period of the current year. This is due to a decrease in income from the reversal of provisions.

Changes in the individual expense items are as follows:

The cost of materials fell significantly by 53 %, or Euro 3.0m, from Euro 5.6m in the first quarter of 2010 to Euro 2.6m in the first quarter of 2011. The cause of this was the reduction in *SINA* sales, and the associated decrease in demand for the relevant hardware components.

Personnel expenses rose by 5% from Euro 5.7m to Euro 6.0m, essentially as a result of increased additions to provisions. Depreciation and amortisation remained virtually unchanged at Euro 0.2m.

Other operating expenses increased from Euro 2.5m in the first quarter of 2010 to Euro 3.2m in the first quarter of 2011. The Euro 0.8m increase is primarily attributable to higher expenses for external support services.

In the period from January to March 2011, the secunet Group's expenses declined overall from Euro 14.0m in the previous year to Euro 12.1m: a decrease of Euro 1.9m or 14%.

As a result, earnings before interest and taxes (EBIT) fell from Euro 0.1m in the first quarter of the previous year to Euro -1.4m in the current year. At the same time, the financial result declined from Euro 0.2m to Euro 0.02m. Accordingly, earnings before tax (EBT) fell from Euro 0.3m in the period from January to March 2010 to Euro -1.4m in the current quarter. The creation of deferred taxes resulted in a tax benefit of Euro 0.4m in the current quarter compared with a tax charge of Euro 0.1m in the first quarter of 2010. The result for the first quarter of 2011 was therefore Euro -1.0m, compared with Euro 0.2m in the previous year, resulting in earnings per share of Euro -0.16 compared with Euro 0.03 in the first quarter of 2010.

SEGMENT REPORTING

secunet in Germany is divided into two business divisions, each focusing on specific target groups. The *Public Sector* division caters to the needs of authorities and other *public sector* consumers as well as international organisations. The division generated 76% of revenue of the secunet Group in the first quarter of 2011, compared with 85% in the same period last year. The *Private Sector* division thus contributed 24% of Group revenue in the first quarter of 2011 (previous year: 15%). The *Private Sector* division focuses on the IT security needs of companies in private industry.

The *Public Sector* division comprises the *High Security* and *Government* business units. The former, which supplies authorities, the armed forces and international organisations with the *SINA* product line, contributed 45% of Group revenue, or Euro 4.6m. In the first quarter of 2011, revenues in the *High Security* business unit fell versus the previous year from Euro 7.2m to Euro 4.6m, primarily due to the postponement of orders by the German army, one of its major customers. As a result of sharp decline in hardware business, EBIT contribution from this business unit in the first quarter of 2011 was Euro -1.2m, versus Euro 0.1m in the period January to March 2010.

The *Government* business unit focuses on IT security solutions that meet the special IT security needs of the federal authorities as well as those of state and municipal administrative authorities. In the first quarter of 2011, the *Government* business unit generated revenues of Euro 3.2m, a 22% decline versus Euro 4.1m in the previous year. As in the *High Security* business unit, the cause for this was a periodic decline in hardware revenues. The contribution to EBIT made by the *Government* business unit rose by kEuro 50, from kEuro 0.1m to Euro 0.2m.

The Private Sector division comprises the *Business Security* and *Automotive Security* business units. In the first quarter of 2011, *Business Security* generated revenues of Euro 1.9m, compared to Euro 1.7m in the same period of 2010. The 14% increase is attributable to improved economic conditions, resulting in a greater tendency by companies to invest in IT security. This only slight improvement in revenue failed to have an impact on results, and the EBIT contribution of Euro -0.2m from the *Business Security* business unit in the first quarter of 2011 was virtually unchanged from the previous year level.

"Other segments" made a negative contribution of Euro -0.4m to Group EBIT in the first quarter of 2011 (previous year: Euro -0.1m).

ASSETS AND FINANCIAL POSITION

As at 31 March 2011, four items on the balance sheet of secunet Security Networks AG showed a significant change versus the 31 December 2010 reporting date. First, trade receivables and payables, which were high at the end of the 2010 following a strong fourth quarter, fell sharply in the first quarter of 2011. The second significant change was in provisions, the value of which fell due to payment of variable salary components. Influenced by this, cash and cash equivalents declined by Euro 3.0m, from Euro 14.3m at the end of 2010 to Euro 11.3m as at 31 March 2011. There were no significant changes in the other balance sheet items of secunet Security Networks AG.

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

Cash flow from operating activities was Euro -2.8m in the period from January to March 2011, compared with Euro -2.3m a year earlier. The difference compared with the previous year can be explained by the drop in earnings (Euro -1.7m), decreased utilisation of provisions (Euro +1.2m), lower payment of payables (Euro +2.1m), lower incoming payments from receivables (Euro -1.4m) as well as an increase in taxes paid (Euro -0.9m).

CAPITAL EXPENDITURE

secunet invests mainly in the procurement of new and replacement hardware, software and other business equipment. Capital expenditure in the first quarter of 2011 amounted to Euro 0.2m, compared with Euro 0.3m in the first quarter of 2010. The volume of capital expenditure was thus virtually unchanged and in line with the year as a whole.

EMPLOYEES

As at 31 March 2011, the number of secunet Group employees totalled 284, a fall of 2% or five employees fewer compared with the same reporting date in 2010. The decline mainly related to employees of the now-closed Czech subsidiary, secunet s.r.o. Headcount at secunet Security Networks AG in Germany did not change between the two reporting dates.

ORDER BOOK

Order volume at secunet Security Networks AG amounted to Euro 27.8m as at 31 March 2011, or 7 % more than the previous year (Euro 25.9m).

OUTLOOK

The short- to medium-term future of secunet Security Networks AG will be largely shaped by the following factors:

The current economic upswing is having a positive impact on the size of companies' IT budgets. Whether this will also result in companies investing more in IT security will hinge largely on their awareness and recognition of the potential threat and damage posed by loss of information and data. Public debate on cyber security and similar issues will certainly be a driving factor here.

The positive economic trend is also leading to an improvement in *public sector* budgets. Accordingly, procurement volumes for IT security solutions from secunet by the authorities and other state institutions should remain at a high and stable level. At the same time, the debate on long-term budget consolidation will have a dampening effect. Here, too, the unchanged threatening situation will push up demand.

The business of secunet Security Networks AG is mainly shaped by large orders, which is also resulting in the current fluctuations in order intake and in the business performance of secunet Security Networks AG.

The Board of Directors of secunet Security Networks AG has integrated these factors into its strategy. To ensure sustained and stable revenue performance, secunet is seeking among other things to generate more revenue from products.

As the result of a systematic, multi-year development process tailored to secunet's core competences, the Group's product line is being expanded and supplemented to include components for hardware-based encryption. These hardware components were intended to have been deployed last year in major projects. However, the projects have been postponed several times. At the same time, secunet has been commissioned to adapt the product to meet new customer requirements. These requirements are currently being implemented. First deliveries are already planned for autumn 2011.

These projects will play a key role in achieving the forecasted business results for 2011. At the time this report is being drawn up, if the projects are successfully implemented, the Management Board expects revenues for 2011 to be slightly below the prior-year level and earnings before interest and taxes (EBIT) to be on a par with the prior-year level.

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. 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.

Summary interim report for the first quarter of 2011

CONSOLIDATED BALANCE SHEET OF SECUNET SECURITY NETWORKS AG (IFRS)
AS AT 31 MARCH 2011

Assets		
in Euro	31 Mar 2011	31 Dec 2010
Current assets		
Cash and cash equivalents	11,313,501.80	14,344,166.94
Trade receivables	13,894,857.14	19,038,529.91
Receivables from affiliated companies	148,638.41	145,262.57
Inventories	1,909,621.93	2,292,690.79
Other current assets	395,624.50	89,161.47
Current tax assets	355,844.13	0.00
Total current assets	28,018,087.91	35,909,811.68
Non-current assets		
Property, plant and equipment	1,592,850.59	1,612,067.15
Intangible assets	253,962.77	288,983.80
Goodwill	2,950,000.00	2,950,000.00
Non-current financial instruments	1,170,466.49	1,144,215.00
Deferred taxes	696,947.48	277,540.53
Total non-current assets	6,664,227.33	6,272,806.48
Total assets	34,682,315.24	42,182,618.16

Liabilities		
in Euro	31 Mar 2011	31 Dec 2010
Current liabilities		
Trade payables	1,701,028.75	6,408,971.43
Intercompany payables	69,477.85	0.00
Other provisions	3,490,560.23	5,338,837.60
Current tax liabilities	165,614.42	769,236.56
Other current liabilities	1,642,616.77	1,432,933.93
Prepaid expenses and deferred income	1,158,651.87	1,155,969.43
Total current liabilities	8,227,949.89	15,105,948.95
Non-current liabilities		
Deferred taxes	191,880.71	136,892.38
Provisions for pensions	2,168,660.67	1,820,684.56
Other provisions	103,779.00	103,779.00
Total non-current liabilities	2,464,320.38	2,061,355.94
Equity		
Subscribed 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 loss carryforward	-3,309,090.15	-5,127,020.82
Group profit	-1,046,345.07	1,817,930.67
Accumulated other comprehensive income/loss	27,214.22	6,137.45
Total equity	23,990,044.97	25,015,313.27
Total liabilities	34,682,315.24	42,182,618.16

CONSOLIDATED INCOME STATEMENT
OF SECUNET SECURITY NETWORKS AG (IFRS)
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2011.

in Euro	01 Jan – 31 Mar 2011	01 Jan – 31 Mar 2010
Sales	10,243,510.71	13,257,843.90
Other operating income	398,345.52	876,250.88
Cost of materials	-2,604,986.25	-5,580,645.13
Personnel expenses	-5,996,364.59	-5,721,243.90
Depreciation and amortisation	-240,621.84	-221,115.77
Other operating expenses	-3,238,317.34	-2,482,764.25
Operating profit	-1,438,433.79	128,325.73
Interest income	24,107.37	12,479.78
Interest expense	-1,286.84	-856.76
Foreign currency gains/losses	-5,412.66	165,347.56
Earnings before tax (and minority interests)	-1,421,025.92	305,296.31
Income taxes	374,680.85	-119,922.72
Profit/loss	-1,046,345.07	185,373.59
Earnings per share (diluted and undiluted)	-0.16	0.03
Average number of shares outstanding (diluted, undiluted, units)	6,469,502	6,469,502

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
OF SECUNET SECURITY NETWORKS AG (IFRS)
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2011.

in Euro	01 Jan – 31 Mar 2011	01 Jan – 31 Mar 2010
Group profit	-1,046,345.07	185,373.59
Currency translation differences (change not recognised in profit and loss)	21,076.77	228,676.54
Consolidated comprehensive income/loss	-1,025,268.30	414,050.13

CONSOLIDATED CASH FLOW STATEMENT
OF SECUNET SECURITY NETWORKS AG (IFRS)
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2011

in Euro	01 Jan– 31 Mar 2011	01 Jan– 31 Mar 2010
Cash flow from operating activities		
Earnings before tax (EBT)	-1,421,025.92	305,296.31
Depreciation and amortisation	240,621.84	221,115.77
Change in provisions	-1,500,301.26	-2,679,705.78
Interest result	-22,820.53	-11,623.02
Change in receivables and other assets and prepaid expenses	5,224,396.79	6,603,677.32
Change in payables and deferred income	-4,419,408.88	-6,611,006.68
Tax paid	-949,077.34	-100,728.64
Net cash generated from operating activities	-2,847,615.30	-2,272,974.72
Cash flow from investing activities		
Purchases of intangible assets and of property, plant and equipment	-186,384.25	-302,856.24
Purchases of financial assets	-26,251.49	-26,251.48
Net cash generated from investment activities	-212,635.74	-329,107.72
Cash flow from financing activities		
Interest received	23,177.31	12,479.78
Interest paid	-1,286.84	-856.76
Cash generated from financing activities	21,890.47	11,623.02
Effects of exchange rate changes on cash and cash equivalents	7,695.43	228,676.54
Net increase/ decrease in cash and cash equivalents	-3,030,665.14	-2,361,782.88
Cash and cash equivalents at the beginning of the period	14,344,166.94	14,669,268.94
Cash and cash equivalents at the end of the period	11,313,501.80	12,307,486.06

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
OF SECUNET SECURITY NETWORKS AG (IFRS)
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

in Euro	Share capital	Capital reserves	Treasury shares	Net accumulated losses	Accumulated other comprehensive income/loss	Total
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 01 Jan–31 Mar 2010				185,373.59	228,676.54	414,050.13
Equity at 31 March 2010	6,500,000.00	21,922,055.80	-103,739.83	-4,941,647.23	247,340.74	23,623,959.48
Comprehensive income/loss 01 Apr–31 Dec 2010				1,632,557.08	-241,203.29	1,391,353.79
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
Comprehensive income/loss 01 Jan–31 Mar 2011				-1,046,345.07	21,076.77	-1,025,268.30
Equity at 31 Mar 2011	6,500,000.00	21,922,005.80	-103,739.83	-4,355,435.22	27,214.22	23,990,044.97

Explanatory report

secunet Security Networks' 3-Month Report for the period ending 31 March 2011 was compiled in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

ACCOUNTING PRINCIPLES

The consolidation principles and currency translation method for the period from 1 January to 31 March 2011 were in accordance with those in the company's Consolidated Financial Statements for financial year 2010. The recognition and measurement methods were unchanged. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2010 were produced on the basis of Sections 315 and 315a of the German Commercial Code (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 balance sheet, income statement, cash flow statement and 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 is possible that figures reported in the interim report may 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 financial year 2010, there were no minority interests in equity or in the profit or loss for the respective periods.

Compared with 31 December 2010, the consolidated group was unchanged as at 31 March 2011.

TREASURY SHARES/SUBSCRIPTION RIGHTS

As at 31 March 2011, the company held 30,498 treasury shares, the same figure as at 31 December 2010; this equates to 0.5% of the share capital.

SEGMENT REPORTING

The secunet Group is 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 Security* business units. The *High Security*, *Government* and *Business Security* 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 *Automotive Security* 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".

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 range 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, health services (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.

Segment report Q1 2011 in kEuro	High Security	Government	Business Security	Other segments	Reconciliation	secunet Q1 2011
Segment revenue external	4,582	3,176	1,898	424	163	10,244
Segment revenue internal	0	0	411	24	-436	0
Segment result before apportionment	-163	1,013	418	-2,889	184	-1,438
Apportionment	-992	-816	-666	2,474	0	0
Segment result (EBIT)	-1,156	196	-248	-415	184	-1,438
Interest result						23
Foreign currency gains/losses						-6
Earnings before tax (EBT)						-1,421
Goodwill	1,339	773	838	0	0	2,950
Depreciation and amortisation	-90	-17	-49	-133	49	-241
Significant expenses						
Personnel expenses	-1,606	-1,465	-1,366	-1,703	144	-5,996
Cost of materials	-1,991	-287	-298	-108	79	-2,605

Segmentbericht Q1 2010 in kEuro	High Security	Government	Business Security	Other segments	Reconciliation	secunet Q1 2010
Segment revenue external	7,178	4,075	1,668	363	-26	13,258
Segment revenue internal	0	0	488	0	-488	0
Segment result before apportionment	981	908	484	-2,333	89	128
Apportionment	-845	-764	-662	2,270	0	0
Segment result (EBIT)	136	144	-178	-63	89	128
Interest result						12
Foreign currency gains/losses						165
Earnings before tax (EBT)						305
Goodwill	1,339	773	838	0	0	2,950
Depreciation and amortisation	-69	-19	-47	-136	49	-221
Significant expenses						
Personnel expenses	-1,498	-1,588	-1,360	-1,272	-3	-5,721
Cost of materials	-4,127	-1,042	-336	-133	58	-5,581

Consolidation primarily 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.

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. No special discounts are offered, all transactions being conducted at normal market rates.

In the first three months of 2011, 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 2011, 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 REPORTING DATE

There were no significant events after the reporting date.

FINANCIAL CALENDAR

2011

10 May	3-month report 2011
11 May	Annual general meeting
10 August	6-month report 2011
09 November	9-month report 2011
21–23 November	German Equity Forum 2011

secunet

IT security beyond expectations

Imprint

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