

Half-Year Report 2020

- » Sales grow to 113.4 million euros – a 12% increase on the first half of 2019
- » EBIT: 16.2 million euros – up 38% on the previous year
- » Order book remains considerably higher than previous year's value
- » Forecast for the year as a whole remains unchanged (as at June 2020)

Overview of the key figures for the first half-year

in million euros	H1 2020	H1 2019	Change in %
Sales	113.4	101.0	+12
EBIT	16.2	11.8	+38
EBT	16.1	11.6	+38
Group profit for the period	10.9	7.7	+42
Earnings per share (in euros)	1.71	1.22	+42
Cash flow from operating activities	-15.6	-18.5	-16
Investments	4.3	2.6	+64
Order book (IFRS, in million euros, as at 30 June)	111.7	81.0	+38
Permanent employees as at 30 June	619	554	+12

in million euros	30 Jun 2020	31 Dec 2019	Change in %
Cash and cash equivalents	43.0	64.5	-33
Equity (including non-controlling interests)	88.8	78.0	+13
Equity ratio (in %)	38.2	41.7	-3.5 percentage points
Loans	0	0	-/-

Overview of the key figures for the second quarter

in million euros	Q2 2020	Q2 2019	Change in %
Sales	80.8	60.6	+33
EBIT	16.3	9.4	+73
EBT	16.2	9.3	+74
Group profit for the period	10.9	6.2	+76
Earnings per share (in euros)	1.69	0.97	+74

The secunet share

Reuters ticker symbol	YSNG.DE
Bloomberg ticker symbol	YSN
WKN (German security identification number)	727650
ISIN	DE0007276503

	30 Jun 2020	28 Jun 2019
Share price (in euros)	206.00	114.50
Number of shares	6,500,000	6,500,000
Market capitalisation (in euros)	1,339,000,000	744,250,000
52W high/low (in euros)	H: 230.00/ T: 88.60	H: 130.90/ T: 79.70

	H1 2020	H1 2019
Average daily trading volume (XETRA)	2,334	1,527

Interim Group Management Report for the first half-year 2020

Sales revenue performance

In the first half-year 2020, secunet Group generated sales revenue of 113.4 million euros. Compared to the same period of the previous year (101.0 million euros), this represents an increase of 12% or 12.4 million euros. The growth in sales revenue results primarily from the increased product business (trade goods, licences, maintenance and support) in the Public Sector division.

Compared to the general risks from the coronavirus epidemic, the growth opportunities for secunet arising from the digitalisation push in the context of the pandemic outweigh the risks. The positive effects began to unfold in the second quarter. For this reason, secunet Group's sales of 80.8 million euros in the second quarter of 2020 also showed a significant increase of 20.2 million euros, or 33%, on sales in the prior-year quarter (60.6 million euros).

Earnings performance

At 16.2 million euros, earnings before interest and taxes (EBIT) of secunet Group after the first half-year 2020 were up 38%, or 4.4 million euros, on the EBIT in the same period of the previous year (11.8 million euros). The positive EBIT was achieved primarily as a result of the increased product sales revenue in the second quarter: at 16.3 million euros, the EBIT is considerably higher than in the second quarter of 2019 (9.4 million euros).

The individual expenditure items showed the following developments:

The cost of sales rose by 6.3 million euros, or 8%, in the first six months of 2020, from 78.2 million euros in the same period of the previous year to 84.5 million euros. The primary reason for this is growth in the product business, as a result of which materials expenses for the use of trade goods have increased.

Selling expenses increased by 14%, or 1.0 million euros, from 7.2 million euros in the previous year to 8.2 million euros.

Research and development costs rose sharply by 195% or 0.8 million euros from 0.4 million euros in the first half of 2019 to 1.2 million euros. This is due to expansion of the product portfolio.

At 3.3 million euros in the first half of 2020, general administration costs are at more or less the same level as in the previous year (3.4 million euros).

Earnings before taxes totalled 16.1 million euros, compared with 11.6 million euros in the previous year.

Due to the increased earnings, tax expenses grew from 3.9 million euros in the previous year to 5.1 million euros in the first half of 2020. At 32%, the tax rate is slightly below the previous year's level (33%).

After taxes, the Group profit for the period from January to June 2020 amounted to 10.9 million euros, compared with 7.7 million euros in the previous year. Earnings per share were 1.22 euros in the first half of 2019 and 1.71 euros in the first half of the current year.

Development of the segments

secunet Group is divided into the Public Sector and Business Sector divisions.

Sales in the Public Sector division increased by 75%, or 43.2 million euros, year-on-year, from 57.8 million euros in the first half of 2019 to 101.0 million euros in the same period of the current year. The growth was largely the result of increased product sales revenue (trade goods, licences, maintenance and support). The clearly pronounced sales growth in the Public Sector division is directly related to the coronavirus pandemic: German authorities still have some catching up to do in terms of equipping themselves with secure mobile workplaces, which are necessary for working in a mobile office, and aim to rectify this situation in the short term. The positive change on the previous year is thus mainly attributable to high revenues in conjunction with products in the SINA family, particularly SINA Workstation. Service sales remained at an unchanged high level.

The Public Sector division is geared towards public utility providers. The product range of the Public Sector division includes the SINA product family – solutions (software, hardware and management) for highly secure cryptographic processing, transmission and storage of classified information with varying levels of confidentiality – and products relating to electronic passports and automated (biometric) border controls and the ELSTER electronic tax declaration. Furthermore, the portfolio includes a wide range of IT security products and services for public customers, ranging from IT security consulting and training to the equipment of large infrastructures with high-security technology and public key infrastructures.

The Public Sector division contributed 89% to the Group's sales revenue in the first half of 2020 (previous year: 57%).

Expenses in the Public Sector division changed as follows: cost of sales increased by 65% from 43.4 million euros to 71.7 million euros. At 5.9 million euros in the first half of 2020, selling expenses are 14% or 0.8 million euros higher

than in the previous year (5.1 million euros). Research and development costs increased from 0.4 million euros in the first half of 2019 to 1.2 million euros. Current development projects relate to the areas of automated border control and secure authentication. General administration costs were 2.8 million euros in the first half of 2020, compared with 2.0 million euros in the same period of 2019, a year-on-year increase of 36%. Overall, expenses increased by 60%. As a result, EBIT in the Public Sector division rose by 12.8 million euros or 189% from 6.7 million euros in the previous year to 19.5 million euros in the first half of 2020.

The Business Sector division achieved sales revenue of 12.4 million euros in the first half-year compared with 43.3 million euros in the previous year. In the first half of 2019, sales revenues were mainly influenced by the rollout of the secunet healthcare connector to medical practices in Germany. As expected, this one-off effect does not apply in 2020. Sales revenues in the healthcare market segment in the first half of 2020 were thus significantly lower than in the previous year – the majority of revenues in 2020, now from pharmacies and hospitals, are expected in the second half of the year.

Due to the decline in sales revenues in the first half of 2020, the division's share of the Group's sales revenues also fell from 43% in the previous year to 11% in the first half of the current year.

The Business Sector division addresses its range of products and services (IT security consulting and solutions) towards companies in the private and healthcare sectors. The product portfolio includes, for example, the secunet konnektor for healthcare telematics (in different variants depending on the size of the infrastructure to be served) and secunet edge, which enables Internet-supported production facilities to be secured.

The coronavirus pandemic has had a dampening effect on sales revenue development among industrial customers, as orders from the automotive industry in particular were slow to arrive and compensatory sales activities were possible only to a limited extent due to distancing measures.

Expenses in the Business Sector division changed as follows: cost of sales fell by 63% from 34.7 million euros in the first half of 2019 to 12.8 million euros in the first half of the current year. Selling expenses increased slightly from 2.1 million euros in the first half of the previous year to 2.3 million euros. At 0.5 million euros, administration costs are below the level of the first half of 2019 (1.4 million euros). Total expenses in the Business Sector division amounted to 15.6 million euros in the first half of 2020, compared with 38.3 million euros in the same period of the previous year. The division's EBIT after the first six months of 2020 was -3.2 million euros after 5.0 million euros in the same period of the previous year.

Assets and financial position

The following items on the balance sheet show a significant change as at 30 June 2020 compared with the figures as at 31 December 2019:

- » Cash and cash equivalents decreased by 21.5 million euros, or 33%, from 64.5 million euros as at 31 December 2019 to 43.0 million euros as at 30 June 2020. This is primarily due to the negative cash flow from operating activities.
- » Contract assets rose by 1.2 million euros, or 44%, from 2.8 million euros as at 31 December 2019 to 4.0 million euros. The contract assets represent the current state of progress of ongoing customer projects.
- » To ensure the ability to deliver due to the well-filled order book, inventories were more than doubled by 24.3 million euros from 21.6 million euros as at 31 December 2019 to 45.9 million euros.
- » Other current assets increased by 3.3 million euros, or 190%, from 1.8 million euros at year-end 2019 to 5.1 million euros as at 30 June 2020. This mainly includes advance payments for services to be received in the future (e.g. guarantees).
- » Primarily as a result of the increase in inventories, trade payables grew compared to the level at 31 December 2019 (28.0 million euros), by 30.9 million euros, or 111%, to 58.9 million euros.
- » Other current provisions declined from 13.7 million euros at the end of 2019 to 10.9 million euros as at 30 June 2020. This is mostly attributable to payment of the variable remuneration components for 2019 in the first quarter of 2020.
- » Due to advance payments on service contracts, contract liabilities increased from 29.8 million euros as at 31 December 2019 to 36.4 million euros as at the end of June 2020.

Cash flow

Cash flow from operating activities after the first six months of the 2020 financial year improved slightly to -15.6 million euros compared with -18.5 million euros in the same period of the previous year. The positive effect of the increase in earnings before taxes was diminished by cash outflows from the change in working capital, particularly the considerable increase in receivables and decrease in liabilities.

The cash flow from investment activities amounted to -4.3 million euros in the first half of 2020 compared with -2.6 million euros in the same period of the previous year.

Cash outflows from financing activities decreased from -14.4 million euros in the first half of 2019 to -1.6 million euros in the reporting period. This is due to a delay of the dividend payment. In the first half of 2019, a dividend of around 13.2 million euros was paid to the shareholders from the 2018 balance sheet profit of secunet Security Networks AG. Due to the coronavirus pandemic, the Annual General Meeting 2020 of secunet Security Networks AG was postponed from May to July 2020. The resolutions on the appropriation of profit adopted there provide for a total dividend payout of 10.1 million euros and will lead to the corresponding cash outflows in the third quarter of 2020.

Overall, after the first six months of the 2020 financial year, there was an outflow of cash and cash equivalents of 21.5 million euros. Cash holdings thus amounted to 43.0 million euros as at 30 June 2020.

Investments

In the first six months of the current year 2020, secunet invested 4.3 million euros in intangible assets and tangible fixed assets compared with 2.6 million euros in the prior-year period.

The investments are primarily attributable to the new procurement and replacement of hardware, software and other operating and office equipment due to the growing number of employees and the upgrading of the IT systems used. Expenditure for the further development of secunet solutions is also recognised.

Employees

As at 30 June 2020, secunet Group had 619 permanent employees (previous year: 554). This is 65 persons or 12% more than on the same reporting date in the previous year. The Company also employs 76 temporary workers (previous year: 70).

Order book

As at 30 June 2020, the order book of secunet Group in accordance with IFRS amounted to 111.7 million euros, following 81.0 million euros as at the previous year's reporting date.

Effects of the coronavirus pandemic on secunet

In the first half-year 2020, secunet – like many other companies – was confronted completely unexpectedly with the coronavirus pandemic.

Due to the good equipment of all employees with secure mobile workplaces and thanks to the flexible reaction of the entire workforce, secunet was able to cope well with people working from home during the lockdown. With the exception of projects and sales activities that would have necessitated travel, no significant losses were incurred.

In fact, developments to date suggest that the coronavirus pandemic will result in rather more opportunities than risks for secunet. In particular, public sector customers such as ministries, authorities and the military have greatly increased their orders for secure mobile workplaces as a result of the coronavirus experience. This is clearly indicated by the growth of secunet's order book. secunet's good delivery capability is enabling it to cover this acute demand at short notice in the interest of its customers.

This notwithstanding, risks such as those that could arise due to a "second wave", for example, cannot be assessed at the present time.

Outlook, risks and opportunities

The business development of secunet Group in the first six months of the current financial year was very good and exceeded the Management Board's original expectations.

Given the record results in the 2019 financial year, the Management Board of the Company was still expecting a slight decline in sales revenues and EBIT for the 2020 financial year compared with the 2019 financial year at the time the 2019 consolidated financial statements were prepared in March 2020. As early as the time of publication of the results for the first quarter, the already very full order book indicated that the coronavirus pandemic did not appear to pose a threat to the original forecast being met. Against the backdrop of the preliminary figures for the end of May and the consistently well-filled order book, the Management Board published an improved outlook for 2020 for secunet Group in its release (Insider Information) of 17 June 2020. The forecast since then is for sales revenues to reach around 270 million euros and earnings before interest and taxes (EBIT) around 48 million euros (2019 financial year: sales revenues 226.9 million euros, EBIT 33.2 million euros).

Based on the positive business development so far in the current financial year and an optimistic outlook for the second half of the year, also supported by the consistently well-filled order book, the Management Board confirms its forecast.

The Management Board's fundamental assessment of the opportunities and risks for secunet Group has not changed significantly since the 2019 consolidated financial statements were prepared.

There are no risks that could jeopardise the continued existence of the Company, nor are such risks currently discernible for the future.

Forward-looking statements

This Interim Group Management Report contains statements regarding the future performance of secunet Group, 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.

Essen, 11 August 2020

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

Condensed Consolidated Interim Financial Statements

of secunet Security Networks Aktiengesellschaft, Essen for the period from 1 January 2020 to 30 June 2020

Consolidated balance sheet

(according to IFRS) as at 30 June 2020

Assets

in euros	30 Jun 2020	31 Dec 2019
Current assets		
Cash and cash equivalents	42,954,259.71	64,492,741.83
Trade receivables	82,080,237.11	44,943,649.78
Intercompany financial assets	50,586.90	117,904.76
Contract assets	4,019,099.03	2,787,251.28
Inventories	45,927,709.57	21,570,841.56
Other current assets	5,071,286.86	1,746,947.30
Total current assets	180,103,178.98	135,659,336.51
Non-current assets		
Property, plant and equipment	5,940,863.59	5,718,170.00
Right-of-use assets	18,893,041.65	17,231,604.86
Intangible assets	8,333,503.53	8,172,156.96
Goodwill	4,625,031.00	4,625,031.00
Non-current financial assets	6,121,641.00	6,141,883.00
Trade receivables	3,939,173.71	4,727,008.44
Deferred taxes	2,226,096.49	2,303,869.56
Other non-current assets	2,201,109.93	2,205,150.34
Total non-current assets	52,320,460.90	51,124,874.16
Total assets	232,423,639.88	186,784,210.67

Liabilities

in euros	30 Jun 2020	31 Dec 2019
Current liabilities		
Trade accounts payable	58,912,778.23	27,953,644.22
Intercompany payables	167,629.38	280,968.68
Lease liabilities	2,395,485.79	2,600,883.05
Other provisions	10,905,619.45	13,695,372.45
Income tax liabilities	4,254,203.37	5,446,232.78
Other current liabilities	3,047,978.93	3,621,460.71
Contract liabilities	12,559,570.41	9,960,482.92
Total current liabilities	92,243,265.65	63,559,044.81
Non-current liabilities		
Lease liabilities	16,874,947.70	14,936,347.05
Deferred taxes	1,776,177.96	1,883,251.83
Provisions for pensions	8,529,823.36	8,229,598.00
Other provisions	356,381.00	356,381.00
Contract liabilities	23,881,757.73	19,857,502.46
Total non-current liabilities	51,419,087.75	45,263,080.34
Equity		
Share Capital	6,500,000.00	6,500,000.00
Capital reserves	21,922,005.80	21,922,005.80
Other reserves	-2,301,946.07	-2,160,360.07
Revenue reserves	62,274,289.01	51,192,282.72
Equity attributable to parent company shareholders	88,394,348.74	77,453,928.45
Non-controlling interests	366,937.83	508,157.07
Total equity	88,761,286.57	77,962,085.52
Total liabilities	232,423,639.88	186,784,210.67

Consolidated income statement

(according to IFRS) for the period from 1 January 2020 to 30 June 2020

in euros	1 Apr – 30 Jun 2020	1 Apr– 30 Jun 2019	1 Jan – 30 Jun 2020	1 Jan – 30 Jun 2019
Sales revenue	80,767,688.60	60,592,812.44	113,416,016.01	101,032,671.88
Cost of sales	-56,170,366.63	-44,915,385.44	-84,488,038.70	-78,194,447.13
Gross profit on sales	24,597,321.97	15,677,427.00	28,927,977.31	22,838,224.75
Selling expenses	-5,367,553.71	-4,055,065.63	-8,229,176.77	-7,242,782.76
Research and development costs	-1,094,517.69	-342,959.32	-1,201,685.22	-407,782.92
General administrative costs	-1,878,203.56	-1,866,520.74	-3,251,056.99	-3,405,183.48
Other operating income	0.00	122.24	0.00	122.24
Other operating expenses	-44.00	-31,671.52	-44.00	-31,591.52
Earnings before interest and taxes (EBIT)	16,257,003.01	9,381,332.03	16,246,014.33	11,751,006.31
Interest income	1,478.86	21,272.05	1,478.86	69,015.11
Interest expenses	-45,710.02	-122,871.74	-160,071.49	-176,630.15
Earnings before tax (EBT)	16,212,771.85	9,279,732.34	16,087,421.70	11,643,391.27
Income taxes	-5,339,808.21	-3,125,468.40	-5,146,634.65	-3,915,438.99
Group profit for the period	10,872,963.64	6,154,263.94	10,940,787.05	7,727,952.28
of which attributable to shareholders of secunet AG	10,960,266.62	6,249,104.49	11,082,006.29	7,916,338.91
of which attributable to non-controlling interest	-87,302.98	-94,840.55	-141,219.24	-188,386.63
Earnings per share (diluted/undiluted)	1.69	0.97	1.71	1.22
Average number of shares outstanding (diluted/undiluted), units	6,469,502	6,469,502	6,469,502	6,469,502

Group statement of comprehensive income

(according to IFRS) for the period from 1 January 2020 to 30 June 2020

in euros	1 Apr – 30 Jun 2020	1 Apr– 30 Jun 2019	1 Jan – 30 Jun 2020	1 Jan – 30 Jun 2019
Group profit for the period	10,872,963.64	6,154,263.94	10,940,787.05	7,727,952.28
Items not reclassified to the income statement				
Revaluation of defined benefit pension plans	-208,000.00	-920,000.00	-208,000.00	-920,000.00
Income tax attributable to components of the other comprehensive income/loss	66,414.00	293,756.00	66,414.00	293,756.00
	-141,586.00	-626,244.00	-141,586.00	-626,244.00
Items that can be reclassified to the income statement				
Currency conversion differences (change not affecting income)	0.00	273,727.30	0.00	273,727.30
Other comprehensive income/loss	-141,586.00	-352,516.70	-141,586.00	-352,516.70
Consolidated comprehensive income/loss	10,731,377.64	5,801,747.24	10,799,201.05	7,375,435.58
of which attributable to shareholders of secunet AG	10,818,680.62	5,896,587.79	10,940,420.29	7,563,822.21
of which attributable to non-controlling interest	-87,302.98	-94,840.55	-141,219.24	-188,386.63

Consolidated cash flow statement

(according to IFRS) for the period from 1 January 2020 to 30 June 2020

in euros	1 Jan – 30 Jun 2020	1 Jan – 30 Jun 2019
Cash flow from operating activities		
Earnings before tax (EBT)	16,087,421.70	11,643,391.27
Depreciation and amortisation of tangible and intangible fixed assets	3,908,524.90	3,062,975.26
Change in provisions	-2,744,445.64	-4,684,597.94
Book gains/losses (net) on the sale of intangible assets and of property, plant and equipment	-44.00	213.76
Interest result	158,592.63	107,615.04
Change in receivables, contract assets, inventories and other assets	-63,523,857.45	-19,219,631.75
Change in liabilities and contract liabilities	36,895,655.69	-234,354.89
Tax paid	-6,341,550.86	-9,216,489.50
Cash outflow from operating activities	-15,559,703.03	-18,540,878.75
Cash flow from investing activities		
Purchase of intangible assets and of property, plant and equipment	-4,334,390.40	-2,639,421.33
Proceeds from the sale of intangible assets and of property, plant and equipment	0.00	2,843.46
Purchase of financial assets	-30,812.84	-708.22
Proceeds from financial assets	51,054.84	0.00
Cash outflow from investing activities	-4,314,148.40	-2,637,286.09
Cash flow from financing activities		
Dividend payment	0.00	-13,197,784.08
Repayment portion of lease payments	-1,552,956.06	-1,199,123.95
Interest received	1,478.86	69,015.11
Interest paid	-113,153.49	-114,212.15
Cash outflow from financing activities	-1,664,630.69	-14,442,105.07
Effects of exchange rate changes on cash and cash equivalents	0.00	-1,825.48
Change in cash and cash equivalents	-21,538,482.12	-35,622,095.39
Cash and cash equivalents at the beginning of the period	64,492,741.83	56,084,381.70
Cash and cash equivalents at the end of the period	42,954,259.71	20,462,286.31

Consolidated statement of changes in equity

(according to IFRS) for the period from 1 January 2020 to 30 June 2020

in euros	Share capital	Capital reserves
Equity as at 31 Dec 2018/1 Jan 2019	6,500,000.00	21,922,005.80
Change in the consolidated Group		
Group profit 1 Jan – 30 Jun 2019		
Other comprehensive income/loss – Change in the consolidated Group 1 Jan – 30 Jun 2019		
Miscellaneous other comprehensive income/loss 1 Jan – 30 Jun 2019		
Other comprehensive income/loss 1 Jan – 30 Jun 2019		
Consolidated comprehensive income 1 Jan – 30 Jun 2019		
Dividend payment		
Equity as at 30 Jun 2019/1 Jul 2019	6,500,000.00	21,922,005.80
Change in the consolidated Group		
Group profit 1 Jul – 31 Dec 2019		
Other comprehensive income/loss – Change in the consolidated Group		
Miscellaneous other comprehensive income/loss 1 Jul – 31 Dec 2019		
Other comprehensive income/loss 1 Jul – 31 Dec 2019		
Consolidated comprehensive income 1 Jul – 31 Dec 2019		
Equity as at 31 Dec 2019/1 Jan 2020	6,500,000.00	21,922,005.80
Change in the consolidated Group		
Group profit 1 Jan – 30 Jun 2020		
Other comprehensive income/loss – Change in the consolidated Group		
Miscellaneous other comprehensive income/loss 1 Jan – 30 Jun 2020		
Other comprehensive income/loss 1 Jan – 30 Jun 2020		
Consolidated comprehensive income 1 Jan – 30 Jun 2020		
Dividend payment		
Equity as at 30 Jun 2020	6,500,000.00	21,922,005.80

Other reserves

Reserve for treasury shares	Currency conversion differences from the currency conversion of financial statements of foreign subsidiaries	Revaluation of defined benefit pension plans	Income tax attributable to components of the other comprehensive income/loss	Total other reserves	Revenue reserves	Equity attributable to parent company shareholders	Non-controlling interests	Total
-103,739.83	-13,747.61	-2,226,628.20	716,181.63	-1,627,934.01	42,363,484.81	69,157,556.60	358,803.12	69,516,359.72
0.00	0.00	0.00	0.00	0.00	-358,414.16	-358,414.16	717,674.54	359,260.38
0.00	0.00	0.00	0.00	0.00	7,916,338.91	7,916,338.91	-188,386.63	7,727,952.28
0.00	273,727.30	0.00	0.00	273,727.30	0.00	273,727.30	0.00	273,727.30
0.00	0.00	-920,000.00	293,756.00	-626,244.00	0.00	-626,244.00	0.00	-626,244.00
0.00	273,727.30	-920,000.00	293,756.00	-352,516.70	0.00	-352,516.70	0.00	-352,516.70
0.00	273,727.30	-920,000.00	293,756.00	-352,516.70	7,557,924.75	7,205,408.05	529,287.91	7,734,695.96
					-13,197,784.08	-13,197,784.08	0.00	-13,197,784.08
-103,739.83	259,979.69	-3,146,628.20	1,009,937.63	-1,980,450.71	36,723,625.48	63,165,180.57	888,091.03	64,053,271.60
0.00	0.00	0.00	0.00	0.00	114,563.56	114,563.56	-476,227.66	-361,664.10
0.00	0.00	0.00	0.00	0.00	14,354,093.68	14,354,093.68	96,293.70	14,450,387.38
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	379.46	-292,779.00	112,490.18	-179,909.36	0.00	-179,909.36	0.00	-179,909.36
0.00	379.46	-292,779.00	112,490.18	-179,909.36	0.00	-179,909.36	0.00	-179,909.36
0.00	379.46	-292,779.00	112,490.18	-179,909.36	14,468,657.24	14,288,747.88	-379,933.96	13,908,813.92
-103,739.83	260,359.15	-3,439,407.20	1,122,427.81	-2,160,360.07	51,192,282.72	77,453,928.45	508,157.07	77,962,085.52
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	11,082,006.29	11,082,006.29	-141,219.24	10,940,787.05
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	-208,000.00	66,414.00	-141,586.00	0.00	-141,586.00	0.00	-141,586.00
0.00	0.00	-208,000.00	66,414.00	-141,586.00	0.00	-141,586.00	0.00	-141,586.00
0.00	0.00	-208,000.00	66,414.00	-141,586.00	11,082,006.29	10,940,420.29	-141,219.24	10,799,201.05
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-103,739.83	260,359.15	-3,647,407.20	1,188,841.81	-2,301,946.07	62,274,289.01	88,394,348.74	366,937.83	88,761,286.57

Selected consolidated explanatory notes

These Consolidated Interim Financial Statements as at 30 June 2020 have been prepared in compliance with the provisions of International Accounting Standard (IAS) 34 “Interim Financial Reporting”, which governs interim financial statements in accordance with International Financial Reporting Standards (IFRS). They are Condensed Consolidated Interim Financial Statements in accordance with IAS 34 as adopted by the EU, which means they do not include all the information required by IFRS for consolidated financial statements at the end of a financial year. The Consolidated Interim Financial Statements must therefore be read in conjunction with the IFRS consolidated financial statements as at 31 December 2019 (Consolidated Financial Statements). These Consolidated Interim Financial Statements have not been audited, but have been reviewed by an auditor pursuant to Article 115 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). The Condensed Consolidated Interim Financial Statements and the Interim Group Management Report for the first half-year 2020 were approved by the Management Board of secunet Security Networks AG on 11 August 2020.

Accounting principles

The consolidation principles and the method of currency translation correspond to those used for the Consolidated Annual Financial Statements for the 2019 financial year. The accounting and valuation methods were retained. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2019 were prepared on the basis of Articles 315 and 315e of the German Commercial Code (Handelsgesetzbuch, HGB) and in accordance with the International Financial Reporting Standards as they are to be applied in the European Union.

The values 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 of secunet Group and do not include any extraordinary items.

The calculation of income taxes for domestic companies is based on a tax rate of 31.91%. The calculation of income taxes for foreign companies is based on the relevant national tax rates.

The preparation of the Consolidated Interim Financial Statements requires a series of assumptions and estimates on the part of management. As a result, it is possible that the figures reported in the Consolidated Interim Financial Statements may deviate from the actual future figures.

The main assumptions and estimates are fundamentally unchanged compared to the Consolidated Financial Statements as at 31 December 2019.

New accounting rules

The following standards were to be applied for the first time in the 2020 financial year:

Standard/ interpretation	Content of the amendment
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and 8	Definition of Material
Framework	Amendment to References to the Conceptual Framework in IFRS standards
IFRS9/IAS39/IFRS7	Interest Rate Benchmark Reform

The amended standards and interpretations that came into force on 1 January 2020 have no significant effect on secunet Group.

Consolidated group

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

Non-controlling interests (minority shareholders) exist as a result of the consolidation of secustack GmbH, Dresden.

Compared with 31 December 2019, the consolidated group remains unchanged as at 30 June 2020.

Stock of treasury shares

As at 30 June 2020, the Company held 30,498 treasury shares, unchanged from 31 December 2019; this corresponds to 0.5% of the share capital.

Recognition of actuarial gains and losses in equity (“other comprehensive income”) from the revaluation of defined benefit pension plans

In the first six months of the financial year, a total of 0.2 million euros from the revaluation of the defined benefit pension plans as at 30 June 2020 was recognised in the other comprehensive income of secunet Group, with no effect on profit or loss, which reduced equity. The revaluation includes the effects of the reduction in the actuarial interest rate from 1.15% as at 31 December 2019 to 1.05% as at 30 June 2020. In this connection, an effect from deferred taxes totalling 0.07 million euros had an opposite effect on equity.

Capitalised development costs

The development project for the secunet Communicator had already fulfilled the criteria for mandatory capitalisation as at last year’s reporting date. In the first half-year 2020, further development costs amounting to 0.5 million euros were capitalised as intangible assets.

Segment reporting

secunet Group is split into two divisions: the Public Sector division and the Business Sector division. Both divisions 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 division offers its customers the SINA product family, i.e. solutions (software, hardware and management) for highly secure, cryptographic processing, transmission and storage of classified information with varying levels of confidentiality. Further solutions from the Public Sector division include products for electronic passports, automated (biometric) border controls and the ELSTER electronic tax declaration. Furthermore, a wide range of IT security products and services for public customers, ranging from IT security consulting and training to the equipment of large infrastructures with high-security technology and public key infrastructures, are also offered.

The Business Sector division provides IT security consulting and solutions for private companies and the health-care sector. The product portfolio includes, for example, the secunet konnektor for healthcare telematics (in different variants depending on the size of the infrastructure to be served) and secunet edge, which enables Internet-supported production facilities to be secured.

Segment report H1 2020

in thousand euros	Public Sector	Business Sector	secunet H1 2020
Segment revenue	101,028	12,388	113,416
Cost of sales	-71,689	-12,800	-84,489
Selling expenses	-5,889	-2,340	-8,229
Research and development costs	-1,185	-16	-1,201
Administrative costs	-2,786	-465	-3,251
Segment result (EBIT)	19,479	-3,233	16,246
Interest result			-160
Other financial result			0
Income from investments			0
Group profit before tax			16,086
Goodwill	3,325	1,300	4,625

Segment report H1 2019

in thousand euros	Public Sector	Business Sector	secunet H1 2019
Segment revenue	57,769	43,264	101,033
Cost of sales	-43,446	-34,749	-78,195
Selling expenses	-5,147	-2,096	-7,243
Research and development costs	-395	-13	-408
Administrative costs	-2,045	-1,392	-3,437
Segment result (EBIT)	6,736	5,015	11,751
Interest result			-108
Income from investments			0
Group profit before tax			11,643
Goodwill	3,325	1,300	4,625

The accounting principles for the segments are identical to those used for the Consolidated Interim Financial Statements. Using apportionments, expenses (e.g. overhead costs) that are not directly allocable to the reportable segments are allocated to the reportable segments. A revenue-based allocation table is used for most cost items. The segments are managed on the basis of the segment results.

With the exception of non-essential components, the segments' assets are focused on the domestic market.

Sales revenue

secunet Group realises its sales revenue entirely within the framework of contracts with customers.

The following overview breaks down sales by geographical characteristics, main revenue streams and revenue recognition.

in thousand euros	Public Sector		Business Sector		Group	
	2020	2019	2020	2019	2020	2019
Geographical allocation						
Domestic	90,596.7	49,675.2	12,186.3	43,031.1	102,783.0	92,706.3
Abroad	10,431.3	8,093.8	201.7	232.9	10,633.0	8,326.7
Total	101,028.0	57,769.0	12,388.0	43,264.0	113,416.0	101,033.0
Revenue generation						
Consultancy business	11,349.6	10,430.7	3,967.5	3,705.9	15,317.1	14,136.6
Product business	89,678.4	47,338.3	8,420.5	39,558.1	98,098.9	86,896.4
Total	101,028.0	57,769.0	12,388.0	43,264.0	113,416.0	101,033.0
Recognition of sales revenue						
Over time	20,716.3	22,877.6	7,492.3	5,886.8	28,208.7	28,764.4
At a point in time	80,311.7	34,891.4	4,895.7	37,377.2	85,207.3	72,268.6
Total	101,028.0	57,769.0	12,388.0	43,264.0	113,416.0	101,033.0

Additional notes on financial instruments

The carrying amounts and fair values of the financial instruments reported in the balance sheet are as follows:

30 Jun 2020 in euros	Carrying amounts				Fair value			Total fair values
	Mandatory as FVTPL	At amortised cost	Other financial liabilities	Total carrying amounts	Level 1	Level 2	Level 3	
Financial assets measured at fair value								
Non-current financial assets	6,121,641.00	–	–	6,121,641.00	–	6,121,641.00	–	6,121,641.00
Financial assets not measured at fair value								
Cash and cash equivalents	–	42,954,259.71	–	42,954,259.71	–	–	–	0.00
Trade receivables	–	86,019,410.82	–	86,019,410.82	–	–	–	0.00
Intercompany financial assets	–	50,586.90	–	50,586.90	–	–	–	0.00
Other current and non-current assets	–	7,272,396.59	–	7,272,396.59	–	–	–	0.00
	0.00	136,296,654.02	0.00	136,296,654.02	0.00	0.00	0.00	0.00
Financial liabilities not measured at fair value								
Trade accounts payable	–	–	58,912,778.23	58,912,778.23	–	–	–	0.00
Intercompany payables	–	–	167,629.38	167,629.38	–	–	–	0.00
Other current liabilities	–	–	3,047,978.93	3,047,978.93	–	–	–	0.00
	0.00	0.00	62,128,386.54	62,128,386.54	0.00	0.00	0.00	0.00

31 Dec 2019	Carrying amounts				Fair value			Total fair values
	in euros	Mandatory as FVTPL	At amortised cost	Other financial liabilities	Total carrying amounts	Level 1	Level 2	
Financial assets measured at fair value								
Non-current financial assets	6,141,883.00	-	-	6,141,883.00	-	6,141,883.00	-	6,141,883.00
Financial assets not measured at fair value								
Cash and cash equivalents	-	64,492,741.83	-	64,492,741.83	-	-	-	0.00
Trade receivables	-	49,670,658.22	-	49,670,658.22	-	-	-	0.00
Intercompany financial assets	-	117,904.76	-	117,904.76	-	-	-	0.00
Other current and non-current assets	-	3,952,097.64	-	3,952,097.64	-	-	-	0.00
	0.00	118,233,402.45	0.00	118,233,402.45	0.00	0.00	0.00	0.00
Financial liabilities not measured at fair value								
Trade accounts payable	-	-	27,953,644.22	27,953,644.22	-	-	-	0.00
Intercompany payables	-	-	280,968.68	280,968.68	-	-	-	0.00
Other current liabilities	-	-	3,621,460.71	3,621,460.71	-	-	-	0.00
	0.00	0.00	31,856,073.61	31,856,073.61	0.00	0.00	0.00	0.00

Related party disclosures

The consolidated companies of secunet Group have dealings with the main shareholder Giesecke + Devrient GmbH, Munich, and its affiliated companies in the course of their normal business activities. Furthermore, the main shareholder is granted short-term loans. All transactions are conducted in accordance with standard market terms.

In the first six months of the 2020 financial year, no members of the Management Board were promised or granted any benefits by a third party with regard to their activities as members of the Management Board. In the first six months of the 2020 financial year, the members of the Supervisory Board did not receive any further remuneration or benefits for services provided personally, in particular consulting and agency services, beyond the remuneration of the Supervisory Board regulated in the Articles of Association of secunet Security Networks AG. Neither the members of the Management Board nor the members of the Supervisory Board receive any loans from the Company.

Events after the end of the interim reporting period

There were no significant events after the balance sheet date.

Essen 11 August 2020

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

Review Report

To secunet Security Networks Aktiengesellschaft, Essen,

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and selected explanatory notes – and the interim group management report of secunet Security Networks Aktiengesellschaft, Essen, for the period from 1 January 2020 to 30 June 2020, which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. 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 German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, 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 adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on 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 adopted by 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 Act applicable to interim group management reports.

Essen, 11 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Lutz Granderath
Wirtschaftsprüfer
(German Public Auditor)

Dr Marcus Borchert
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Consolidated Interim Financial Statements 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 true and fair presentation 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 remainder of the financial year.”

Essen, 11 August 2020

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

Financial Calendar 2020

12 August
Half-Year Report 2020

4 November
Group Quarterly Statement as at 30 September 2020

Imprint

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