secunet

Half-Year Report 2017

- Sales increase by 26% in the first six months
- EBIT increased by 2.6 million euros year-on-year
- Value of order book up 70% on the previous year
- Increased full-year forecast confirmed

Overview of the key figures for the first half of the year

In thousand euros	H1 2017	H1 2016	Change in %
Revenue	54,761	43,455	+26
EBIT	5,031	2,387	+>100
EBT	5,042	2,306	+>100
Net income for the period	3,372	1,507	+>100
Earnings per share (in euros)	0.52	0.23	+>100
Cash flow from operating activities	-20,417	-9,684	–/–
Investments	2,113	1,535	+38
Order book (IFRS, in million euros, as at 30 June)	77.3	45.5	+70
Permanently employed employees as of 30 June	453	391	+16

In thousand euros	30 Jun 2017	31 Dec 2016	Change in %
Cash and cash equivalents	23,776	50,213	-53
Equity	46,757	46,941	–/–
Equity ratio (in %)	57.5	47.3	+10.2 percentage points
Loans	0	0	–/–

Overview of the key figures for the second quarter

In thousand euros	Q2 2017	Q2 2016	Change in %
Revenue	30,045	24,030	+25
EBIT	4,126	2,188	+89
EBT	4,140	2,126	+95
Net income for the period	2,788	1,389	+>100
Earnings per share (in euros)	0.43	0.21	+>100

The secunet Share

secunet stock information

Reuters	YSNG.DE
Bloomberg	YSN
WKN	727650
ISIN	DE0007276503

	30 Jun 2017	30 Jun 2016
Price (in euros)	93.15	26.10
Number of shares	6,500,000	6,500,000
Market capitalisation (in euros)	605,475,000	169,650,000
52W high / low (in euros)	H: 104.45 / T: 25.51	H: 27.00 / T: 18.35

	H1 2017	H1 2016
Average daily trading volume (Xetra)	5,843	723

Interim Group Management Report

for the first half of 2017

Revenue performance

In the first half of 2017, secunet Group generated revenues of 54.8 million euros. Compared to the same reporting period the previous year (43.5 million euros), this represents a rise of 26%, or 11.3 million euros. The revenue growth was largely the result of increased demand in product business (trade goods, licences, maintenance and support – primarily from the SINA product family).

At 30.0 million euros, revenues for Q2 2017 are considerably higher than revenues for the same quarter of the previous year (24.0 million euros): a rise of 25%, or 6.0 million euros. The significant year-on-year increase in sales that was already recorded in Q1 2017 very much sustained.

Earnings performance

The earnings before interest and taxes (EBIT) of secunet Group improved by 2.6 million euros in comparison with the first half of 2016. After 2.4 million euros in the period from January to June 2016, secunet achieved an EBIT of 5.0 million euros in the same period of the current year.

The positive earnings trend is due to the fact that expenses in secunet Group increased by 21% or 8.7 million euros less than revenue. The improved EBIT was largely the result of increased demand in product business and continued good capacity utilisation in the consulting division. The following developments are recorded for the individual expense items:

The cost of sales increased by 8.0 million euros or 24% in the first six months of 2017, from 33.1 million euros in the same period of the previous year to 41.1 million euros. The primary reason for this is growth in the hardware segment, as a result of which material expenditure for the use of trading goods has increased.

The selling expenses of 6.0 million euros are only slightly above the previous year's figure (5.9 million euros).

The general administration costs were 2.7 million euros in H1 2017. Compared to the previous year (2.1 million euros), this represents a rise of 0.6 million euros or 24%, mainly resulting from the rise in consultancy costs.

The financial result for the first half of 2017 was 88 thousand euros compared to -18 thousand euros the previous year. Earnings before tax totalled 5.0 million euros, compared with 2.3 million euros the previous year.

Thanks to a further improvement in the result, tax expenditure rose in H1 2017, from 0.8 million euros in the previous year to 1.7 million euros.

The Group net income for the period from January to June 2017 was a profit of 3.4 million euros compared with 1.5 million euros the previous year. Earnings per share for the first half of 2016 were 0.23 euros; in the current half of the year this figure stood at 0.52 euros.

Segment reporting

The secunet Group is divided into two business units according to target group.

The business focus of secunet Group continues to be the public agencies target group. The contribution from the Public Sector business unit therefore made a correspondingly high contribution to Group sales in the first half of 2017 at 86% (previous year: 86%).

On the one hand, the Public Sector business unit 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 at varying levels of confidentiality. On the other hand, it offers public customers a wide range of IT security products and services, from IT security consulting and training to products for electronic passports, automated (biometric) border controls, ELSTER electronic tax declaration and the equipment of large infrastructures with high security technology and public key infrastructures.

Sales in the Public Sector business unit increased by 27% or 10.0 million euros year on year, from 37.2 million euros in the first half of 2016 to 47.2 million euros in the same period of the current year. The growth was largely the result of increased product revenue (trade goods, licences, maintenance and support – primarily from the SINA product family).

In the 2017 financial year, the apportionment of any expenditure which is not directly allocable to reportable segments (e. g. overhead costs) was changed. In the past, all non-allocable expenditure was apportioned according to the relative number of employees. Due to the growth in product business, a revenue based allocation is now used for most cost items. The previous year's segment report has been amended to allow for comparison.

Expenses in the Public Sector business unit increased less than sales: Sales costs increased by 24% from 28.2 million euros to 34.8 million euros. Selling expenses of 4.8 million euros in H1 2017 are virtually unchanged on the previous year (4.7 million euros). General administration costs were 2.2 million euros in H1 2017, compared with 1.8 million euros during the same reporting period for 2016: an increase of 24% on the previous year. In total, expenses increased by 20%. Therefore, the EBIT in the Public Sector business unit increased from 2.5 million euros in the first half of 2016 to 5.4 million euros for the same reporting period in the current year.

At 7.5 million euros in the first half of 2017, 14% of the Group's revenue (previous year: 14%) was achieved in the Business Sector business unit. The Business Sector offers (consulting) services and solutions for the specific requirements of private-sector companies. The consulting services range from security assessments (so-called penetration tests) via security consulting, such as for security guidelines and their implementation, up to support for certification projects. The customer-specific solutions in the Business Sector are primarily focused on providers and operators of critical infrastructures such as telecommunications companies and providers, as well as demanding industries such as automotive and machine construction.

In the first half of 2017, the Business Sector business unit achieved a year-on-year increase in sales of 21%, from 6.2 million euros to 7.5 million euros.

Total expenses in this business unit rose from 6.3 million euros to 7.9 million euros in the period from January to June 2017; an increase of 25% or 1.6 million euros compared with the same period of the previous year. Accordingly, the EBIT in the Business Sector business unit changed from -0.1 million euros in the first half of 2016 to -0.3 million euros for the same reporting period in the current year.

Assets and financial situation

The following items on the balance sheet show a significant change as at 30 June 2017 compared with the figure as at 31 December 2016:

» To ensure delivery at short notice in H2 2017, inventories were increased by 79% (or 6.6 million euros) from 8.4 million euros as of 31 December 2016, to 15.0 million euros.

» The trade accounts payable has decreased by 16.1 million euros to 7.8 million euros compared to the figure as at 31 December 2016, following payment of outstanding supplier in voices, due to the reporting date.

» The other current provisions decreased, from 12.4 million euros as at the end of 2016 to 6.9 million as at 30 June 2017. This is mainly due to the payment of variable remuneration elements for the year 2016 in the first half year of 2017.

» Income tax liabilities fell by 1.1 million euros to 2.2 million euros as of 30 June 2017, compared with 31 December 2016 (3.3 million euros). The other short-term liabilities (mainly sales tax) also decreased from 5.3 million euros as at 31 December 2016 to 1.7 million euros as at 30 June 2017.

» Parallel to this, cash and cash equivalents have decreased by 26.4 million euros, from 50.2 million euros as at 31 December 2016 to 23.8 million euros as at 30 June 2017.

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

Cash flow

Cash flow from operating activities was -20.4 million euros compared with -9.7 million euros in the same period of the previous year, despite an increase in cash receipts from improved operating income after H1 of the 2017 financial year. The main reasons for this trend are the utilisation of provisions for variable remuneration, the build-up of inventory (other assets), and the settlement of trade payables, as well as other short-term liabilities.

For the first half of 2017, cash flow from investment activity was -2.4 million euros, compared to -4.1 million euros in the same period of the previous year. The change can mainly be attributed to a one-off contribution which was made to the actuarial reserve from reinsurance in the previous year to the 2.3 million euros of cover pension commitments made by the company.

In the first half of 2017, a dividend of around 3.8 million euros (previous year: 2.2 million euros) was paid to the shareholders of secunet Security Networks AG from the 2016 net income. Primarily due to this, there was cash outflow of 3.6 million euros from financing activities in the first half of 2017, following 2.2 million euros in the previous year.

This resulted in an outflow of cash and cash equivalents of 26.4 million euros after six months of the 2017 financial year. Liquid funds as at 30 June 2017 were therefore 23.8 million euros.

Investments

In the first six months of 2017, secunet invested a total of 2.1 million euros, compared with 1.5 million euros in the same period of the previous year. The capital expenditure of 1.3 million euros is mainly for the purchase and replacement of hardware, software and other office and operating equipment. 0.8 million euros relates to the downpayment made on an asset deal (see also "Events after the end of the interim reporting period" in the selected consolidated explanatory notes).

Employees

As at 30 June 2017, the number of permanently employed secunet Group employees totalled 453, which is 62 individuals or 16% more than on the same reporting date of the previous year. The appointments were made primarily in the areas of consulting and development.

Order book

As at 30 June 2017, secunet Security Networks AG's order book according to IFRS totalled 77.3 million euros, representing a 70% rise on the order book value for the same date in the previous year (45.5 million euros).

Outlook, risks and opportunities

Compared with the preparation phase of the 2016 Annual Financial Statement in March 2017, the estimates of the Management Board with regard to risks and opportunities for secunet Group are unchanged. There are no risks that endanger the continuation of the company, and no such risks are currently discernible for the future.

The business performance of secunet Security Networks AG was very satisfactory in the first six months of the current financial year. Based on the figures for revenue and EBIT (earnings before interest and taxes) calculated at the end of May 2017, coupled with the existing order backlogs and sales opportunities, the secunet Security Networks AG Board of Management has increased its forecast for the 2017 financial year with its inside information disclosed on 14 June 2017. The company had expected revenue and EBIT to be slightly down year on year (revenue of 115.7 million euros, EBIT of 13.7 million euros). The Board of Management now expects sales revenue of 130 million euros with an EBIT of around 18 million euros. The higher forecast is essentially based on a sharp rise in commissions from the defence sector, which led to an increase in the sales revenues forecast in the Public Sector business unit in comparison with the previous year. We therefore expect that this business unit of secunet Group will further increase in importance, and that the contribution made by the Business Sector unit will decline at the same time. In parallel with the expected revenue performance in the business units, the Board of Management anticipates the EBIT rising compared with the previous year, as well as the EBIT margin rising slightly.

Forward-looking statements

This Group Interim Management Report contains statements regarding the future performance of secunet Group 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, 31 July 2017

Dr Rainer Baumgart Thomas Pleines

Condensed Consolidated Interim Financial Statement

for the first half of 2017

Consolidated Balance Sheet

(according to IFRS) as at 30 June 2017

Assets

in euros	30 Jun 2017	31 Dec 2016
Current assets		
Cash and cash equivalents	23,775,899.56	50,213,287.76
Trade receiveables	25,525,286.82	25,368,458.16
Intercompany financial assets	47,931.07	52,468.59
Inventories	15,006,278.70	8,385,779.36
Other current assets	932,538.24	555,853.92
Total current assets	**65,287,934.39**	**84,575,847.79**
Non-current assets		
Property, plant and equipment	4,094,682.02	3,712,740.00
Intangible assets	314,292.00	312,561.00
Goodwill	3,027,300.00	3,027,300.00
Non-current financial assets	5,458,753.24	5,412,940.00
Advances paid	800,000.00	0.00
Long-term financial assets shown in balance sheet in accordance with the equity method	100,667.58	177,641.87
Loans	963,222.23	635,666.67
Deferred taxes	1,244,212.59	1,356,722.49
Total non-current assets	**16,003,129.66**	**14,635,572.03**
Total assets	**81,291,064.05**	**99,211,419.82**

Liabilities

in euros	30 Jun 2017	31 Dec 2016
Current liabilities		
Trade accounts payable	7,829,442.44	16,145,811.85
Intercompany payables	0.00	3,658.99
Other provisions	6,879,580.58	12,399,742.03
Income tax payable	2,153,441.14	3,326,291.98
Other current liabilities	1,717,951.29	5,285,982.50
Deferred income	9,840,192.08	8,890,832.00
Total current liabilities	**28,420,607.53**	**46,052,319.35**
Non-current liabilities		
Deferred taxes	271,770.80	234,470.00
Provisions for pensions	5,704,988.90	5,847,806.00
Other provisions	136,246.00	136,246.00
Total non-current liabilities	**6,113,005.70**	**6,218,522.00**
Equity		
Share capital	6,500,000.00	6,500,000.00
Capital reserves	21,922,005.80	21,922,005.80
Other reserves	-1,383,301.44	-1,580,433.20
Revenue reserves	19,718,746.46	20,099,005.87
Total equity	**46,757,450.82**	**46,940,578.47**
Total liabilities	**81,291,064.05**	**99,211,419.82**

Consolidated Income Statement

(according to IFRS) for the period from 1 January 2017 to 30 June 2017

in euros	1 Apr - 30 Jun 2017	1 Apr - 30 Jun 2016	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Revenue	30,044,893.55	24,030,124.16	54,760,536.94	43,454,628.45
Cost of sales	-21,936,955.51	-17,579,354.50	-41,140,098.01	-33,083,834.47
Gross profit on sales	**8,107,938.04**	**6,450,769.66**	**13,620,438.93**	**10,370,793.98**
Selling expenses	-2,798,631.64	-3,140,299.65	-5,985,644.84	-5,855,882.75
Research and development expenses	-440.00	-39,898.46	-12,427.67	-44,243.46
General administration costs	-1,231,126.12	-1,110,967.56	-2,667,870.35	-2,148,869.50
Other operating income	48,479.16	31,014.44	76,829.16	68,477.13
Other operating expense	-629.00	-2,732.00	-847.00	-2,732.00
Earnings before interest and income taxes	**4,125,590.44**	**2,187,886.43**	**5,030,478.23**	**2,387,543.40**
Interest income	86,583.34	41,326.96	144,222.23	52,058.34
Interest expense	-28,118.69	-39,560.73	-55,856.69	-70,276.21
Profit and loss portions to associated companies that are entered into the balance sheet in accordance with the equity method	-44,376.90	-63,485.28	-76,974.29	-63,485.28
Earnings before tax	**4,139,678.19**	**2,126,167.38**	**5,041,869.48**	**2,305,840.25**
Income taxes	-1,351,499.70	-737,622.07	-1,669,817.73	-799,195.03
Group profit	**2,788,178.49**	**1,388,545.31**	**3,372,051.75**	**1,506,645.22**
Earnings per share (diluted / undiluted)	0.43	0.21	0.52	0.23
Average number of shares outstanding (diluted, undiluted, units)	6,469,502	6,469,502	6,469,502	6,469,502

Consolidated Statement of Comprehensive Income

(according to IFRS) for the period from 1 January 2017 to 30 June 2017

in euros	1 Apr - 30 Jun 2017	1 Apr - 30 Jun 2016	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Group profit	2,788,178.49	1,388,545.31	3,372,051.75	1,506,645.22
Items that will not be reclassified to profit or loss				
Actuarial gains and losses from benefit plans	285,822.00	-1,202,000.00	285,822.00	-1,202,000.00
Other comprehensive income / loss	-90,863.00	388,005.60	-90,863.00	388,005.60
	194,959.00	-813,994.40	194,959.00	-813,994.40
Items that may be reclassified subsequently to profit or loss				
Currency conversion differences (change not recognised in profit and loss)	2,172.76	299.44	2,172.76	-410.27
Income tax on accumulated other comprehensive income / loss	197,131.76	-813,694.96	197,131.76	-814,404.67
Consolidated comprehensive income / loss	**2,985,310.25**	**574,850.35**	**3,569,183.51**	**692,240.55**

Consolidated Cash Flow Statement

(according to IFRS) for the period from 1 January 2017 to 30 June 2017

in euros	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016
Cash flow from operating activities		
Earnings before tax	5,041,869.48	2,305,840.25
Depreciation and amortisation of tangible and intangible fixed assets	856,687.81	696,263.21
Change in provisions	-5,432,632.55	-1,522,881.41
Book gains / losses (net) on the sale of intangible assets and of property, plant and equipment	19.98	1,632.95
Interest result	-88,365.54	18,217.87
Change in receivables and other assets	-7,149,526.03	-1,680,615.23
Change in liabilities and deferred income	-10,938,750.76	-7,326,642.82
Profit and loss portions of associated companies that are entered in the balance sheet in accordance with the equity method	76,974.29	63,485.28
Tax paid	-2,783,720.87	-2,239,438.18
Cash from operating activities	**-20,417,444.19**	**-9,684,138.08**
Cash flow from investing activities		
Purchase of intangible assets and of property, plant and equipment	-1,313,378.83	-1,534,599.21
Proceeds from the sale of intangible assets and of property, plant and equipment	72,998.02	2,126.05
Purchase of financial assets	-45,813.24	-2,309,325.96
Disbursements for advances paid for non-current assets	-800,000.00	0.00
Disbursements for investments in long-term financial assets	-300,000.00	-300,000.00
Cash from investing activities	**-2,386,194.05**	**-4,141,799.12**
Cash flow from financing activities		
Dividend payment	-3,752,311.16	-2,199,630.68
Interest received	116,666.67	36,058.34
Interest paid	-380.69	-9,328.21
Cash flow from financing activities	**-3,636,025.18**	**-2,172,900.55**
Effects of exchange rate changes on cash and cash equivalents	2,275.22	-412.77
Change in cash and cash equivalents	**-26,437,388.20**	**-15,999,250.52**
Cash and cash equivalents at the beginning of the period	50,213,287.76	37,953,836.75
Cash and cash equivalents at the end of the period	**23,775,899.56**	**21,954,586.23**

Consolidated Statement of Changes in Equity

(according to IFRS) for the period from 1 January 2017 to 30 June 2017

			Other reserves						
in euros	Share capital	Capital 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 taxes allocated to components of the other income / loss	Total[1]	Revenue reserves[1]	Total
Equity as at 31 Dec 2015 / 1 Jan 2016	6,500,000.00	21,922,005.80	-103,739.83	-7,331.65	-1,686,693.00	544,464.50	-1,253,299.98	13,079,259.12	40,247,964.94
Group profit 1 Jan – 30 Jun 2016					0.00	0.00	0.00	1,506,645.22	1,506,645.22
Other comprehensive income / loss 1 Jan – 30 Jun 2016				-410.27	-1,202,000.00	388,005.60	-814,404.67	0.00	-814,404.67
Consolidated comprehensive income 1 Jan – 30 Jun 2016				-410.27	-1,202,000.00	388,005.60	-814,404.67	1,506,645.22	692,240.55
Dividend payment								-2,199,630.68	-2,199,630.68
Equity as at 30 Jun 2016 / 1 Jul 2016	6,500,000.00	21,922,005.80	-103,739.83	-7,741.92	-2,888,693.00	932,470.10	-2,067,704.65	12,386,273.66	38,740,574.81
Group profit 1 Jul – 31 Dec 2016					0.00	0.00	0.00	7,712,732.21	7,712,732.21
Other comprehensive income / loss 1 Jul – 31 Dec 2016				944.81	721,618.80	-235,292.16	487,271.45	0.00	487,271.45
Consolidated comprehensive income 1 Jul – 31 Dec 2016				944.81	721,618.80	-235,292.16	487,271.45	7,712,732.21	8,200,003.66
Dividend payment						0.00	0.00	0.00	0.00
Equity as at 31 Dec 2016 / 1 Jan 2017	6,500,000.00	21,922,005.80	-103,739.83	-6,797.11	-2,167,074.20	697,177.94	-1,580,433.20	20,099,005.87	46,940,578.47
Group profit 1 Jan – 30 Jun 2017				0.00	0.00	0.00	0.00	3,372,051.75	3,372,051.75
Other comprehensive income / loss 1 Jan – 30 Jun 2017				2,172.76	285,822.00	-90,863.00	197,131.76	0.00	197,131.76
Consolidated comprehensive income 1 Jan – 30 Jun 2017				2,172.76	285,822.00	-90,863.00	197,131.76	3,372,051.75	3,569,183.51
Dividend payment						0.00	0.00	-3,752,311.16	-3,752,311.16
Equity as at 30 Jun 2017	6,500,000.00	21,922,005.80	-103,739.83	-4,624.35	-1,881,252.20	606,314.94	-1,383,301.44	19,718,746.46	46,757,450.82

[1] In order to make the report clearer and more concise, the representation of equity has been amended as at 31 December 2016, and the previous year's data has been adapted.

Selected Consolidated Explanatory Notes

The Consolidated Interim Financial Statements as at 30 June 2017 have been created in accordance with the specifications of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", which governments interim financial statements in accordance with the International Financial Reporting Standards. This is an abbreviated Consolidated Interim Financial Statement, with the result that it does not include all the information that is required in accordance with the IFRS at the end of a financial year. The Consolidated Interim Financial Statements are therefore to be read in conjunction with the IFRS consolidated financial statements dated 31 December 2016 (Consolidated Financial Statements). The Consolidated Interim Financial Statements are unverified; however, they have been reviewed pursuant to Article 37w Para. 5 of the German Securities Trading Law (Wertpapierhandelsgesetz, WpHG). The Condensed Consolidated Interim Financial Statements and the Interim Group Management Report relating to the first half of 2017 were approved by the Management Board of secunet Security Networks AG on 31 July 2017.

Accounting principles

The consolidation principles and the process for currency conversion correspond to those used for the Consolidated Annual Financial Statements for the 2016 financial year. The accounting and valuation methods were retained. The Consolidated Financial Statements of secunet Security Networks AG as at 31 December 2016 were produced on the basis of Articles 315 and 315a 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 of secunet Group and do not include any extraordinary items.

A tax rate of 31.79% 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 Consolidated Interim Financial Statements require a series of assumptions and estimates on the part of the management. As a result, it is possible that the figures reported in the Consolidated Interim Financial Statements will deviate from the actual future figures. The main assumptions and estimations are unchanged compared to the Consolidated Financial Statements as at 31 December 2016.

New accounting rules

The effects arising from the application of the new IFRS 9 and IFRS 15 are currently being meticulously analysed and assessed. However, a conclusive statement with a sufficient degree of certainty will not be possible on the balance sheet date of 30 June 2017.

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 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. In the reporting period and in the previous same period of the previous year, there were no non-controlling interests (minority interests) in equity or in Group profit or loss for the period.

Compared with 31 December 2016, the consolidated Group was unchanged as at 30 June 2017. The two consolidated subsidiaries secunet s.r.o., Prague, Czech Republic, and secunet SwissIT AG, Solothurn, Switzerland, are in liquidation.

Since the 2015 financial year, secunet Security Networks AG has held shares in finally safe GmbH, Essen. The share capital holding was 18% as of the reporting date, 30 June 2017. Due to the significant influence on the company, finally safe GmbH is an associated company as a result of the participation, which means that the shares are reported and valuated using the equity method.

Treasury shares

As at 30 June 2017, the Company held 30,498 treasury shares, the same figure as at 31 December 2016; this equates to 0.5% of its share capital.

Recording of actuarial gains and loss in equity ("other comprehensive income") from the re-evaluation of defined benefit pension plans.

Following the re-evaluation of the defined benefit pension plans as of 30 June 2017, a total of 0.3 million euros was recorded under other income of secunet Group balance sheet in the first six months of the 2017 financial year with no effect on income, which resulted in an increase in equity. The re-evaluation covers the effects caused by a change in the actuarial interest rate from 1.90% as of 31 December 2016 to 2.15% as of 30 June 2017. On the other hand, deferred taxes of 0.1 million euros had an offsetting effect in equity in this respect.

Paid dividends

The distribution of dividends from secunet Security Networks AG is aligned with the company's Annual Financial Statements under commercial law. Pursuant to the resolution of the Annual General Meeting of 4 May 2017, one dividend of 0.58 euros for each share was paid out from the reported accumulated profits for the 2016 financial year, making a total of 3,752,311.16 euros; the remaining amount was carried forward to the new account.

Segment reporting

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.

One aspect of what the Public Sector business unit offers its customers is the SINA product family, i. e. solutions (software, hardware and management) for highly secure, cryptographic processing, transmission and storage at varying levels of confidentiality. On the other hand, it offers public customers a wide range of IT security products and services, from IT security consulting and training to products for electronic passports, automated (biometric) border controls, ELSTER electronic tax declaration and the equipment of large infrastructures with high security technology and public key infrastructures.

The Business Sector business unit offers (consulting) services and solutions for the specific requirements of private-sector companies. The consulting services range from security assessments (so-called penetration tests) via security consulting, such as for security guidelines and their implementation, up to support for certification projects. The customer-specific solutions in the Business Sector are primarily focused on providers and operators of critical infrastructures such as telecommunications companies and providers, as well as demanding industries such as automotive and machine construction.

Segment Report H1, 2017

In thousand euros	Public Sector	Business Sector	secunet H1 2017
Segment revenue	47,231	7,530	54,761
Cost of sales	-34,833	-6,307	-41,140
Selling expenses	-4,816	-1,170	-5,986
Research and development expenses	-12	0	-12
Administrative costs	-2,206	-386	-2,592
Segment result	5,364	-333	5,031
Interest result			88
Income from investments			-77
Group profit before tax			5,042
Goodwill	2,745	282	3,027

Segment Report H1, 2016

In thousand euros	Public Sector	Business Sector	secunet H1 2016
Segment revenue	37,233	6,222	43,455
Cost of sales	-28,202	-4,882	-33,084
Selling expenses	-4,747	-1,109	-5,856
Research and development expenses	-44	0	-44
Administrative costs	-1,786	-297	-2,083
Segment result	2,454	-66	2,388
Interest result			-18
Income from investments			-63
Group profit before tax			2,307
Goodwill	2,668	282	2,950

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. In the 2017 financial year, the apportionment of any expenditure which is not directly allocable to reportable segments was changed. In the past, all non-allocable expenditure was apportioned according to the relative number of employees. Due to the growth in product business, an allocation table is now used for most cost items. The previous year's segment report has been amended to allow for comparison. 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.

Additional notes on financial instruments

Financial assets are measured at fair value through profit or loss if the financial asset is either held for trading purposes or is designated as being measured at fair value through profit or loss.

Financial assets are not currently held for trading purposes.

A financial asset is designated as being measured at fair value through profit or loss if this approach substantially reduces or removes any inconsistencies with regard to measurement and disclosure that would otherwise arise.

Based on the measurement hierarchy levels stated in IFRS 13, financial assets and liabilities are measured subject to the availability of relevant information. For the first level, listed (unadjusted) market prices for identical assets and liabilities can be directly observed on active markets. On the second level, they are measured based on measurement models that assess variables that can be observed on the market. The third level does not permit the use of measurement models which rely on input factors that cannot be observed on the market.

If the input factors used to determine the fair value of an asset or a liability can be allocated to different levels of the fair value hierarchy, measurement at fair value is allocated in its entirety to the fair value hierarchy level that corresponds to the lowest input factor which is overall essential to measurement.

Financial assets that are measured at fair value through profit or loss include long-term financial instruments. These include the premium reserve shares from reinsurance contracts. Fair value of the premium reserve is measured by the insurance company and, for the vast majority of reinsurance capital, recognised actuarial processes are followed in this respect (cash method using swap interest rates plus issuer-specific risk premiums). Due to the composition of the reinsurance capital, fair value hierarchy level 2 classification has been applied.

Financial assets measured at fair value through profit or loss are measured at fair value. Any profit or loss resulting from the measurement is recognised in the income statement. The net profit or loss recorded includes any dividend or interest from the financial asset and is reported under "General administrative costs" in the Consolidated Income Statement.

Loans and receivables and financial assets are derecognised when the Company gives up control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

If, in the case of financial assets measured at amortised cost, there are objective and substantial grounds for impairment, a test is carried out to determine whether the carrying amount exceeds the present value of the expected future cash flows. Indications of impairment include a material deterioration in credit rating, significant delays in payment or the insolvency of the borrower.

Measurement method pursuant to IAS 39

Assets in euros	Measurement categories as defined in IAS 39.9 / Financial instrument classes as defined in IFRS 7.6 / Carrying amount 30 Jun 2017	Loans and receivables		Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	
		Assignments with assetside balance vis-á-vis customers	Financial instruments measured at amortised cost		Financial instruments measured at fair value	Not financial instruments as IAS 39 and IFRS 7
Current assets						
Cash and cash equivalents	23,775,899.56		23,775,899.56			0.00
Trade receiveables	25,525,286.82	3,969,272.88	21,556,013.94			0.00
Intercompany financial assets	47,931.07		47,931.07			0.00
Inventories	15,006,278.70					15,006,278.70
Other current assets	932,538.24		932,538.24			0.00
Non-current assets						
Property, plant and equipment	4,094,682.02					4,094,682.02
Intangible assets	314,292.00					314,292.00
Goodwill	3,027,300.00					3,027,300.00
Non-current financial assets	5,458,753.24				5,458,753.24	0.00
Advances paid	800,000.00					800,000.00
Long-term financial assets shown in balance sheet acc. equity method	100,667.58					100,667.58
Loans	963,222.23		963,222.23			
Deferred taxes	1,244,212.59					1,244,212.59
Total assets	**81,291,064.05**	**3,969,272.88**	**47,275,605.04**	**0.00**	**5,458,753.24**	**24,587,432.89**
Liablilities						
Current liabilities						
Trade accounts payable	7,829,442.44			7,829,442.44		0.00
Intercompany payables	0.00			0.00		0.00
Other provisions	6,879,580.58					6,879,580.58
Income tax payable	2,153,441.14					2,153,441.14
Other current liabilities	1,717,951.29			1,717,951.29		0.00
Deferred income	9,840,192.08					9,840,192.08
Non-current liabilities						
Deferred taxes	271,770.80					271,770.80
Provisions for pensions	5,704,988.90					5,704,988.90
Other provisions	136,246.00					136,246.00
Total non-current liabilities	**34,533,613.23**	**0.00**	**0.00**	**9,547,393.73**	**0.00**	**24,986,219.50**

	Measurement categories as defined in IAS 39.9	Loans and receivables		Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	
Assets in euros	Financial instrument classes as defined in IFRS 7.6 Carrying amount 30 Jun 2016	Assignments with assetside balance vis-á-vis customers	Financial instruments measured at amortised cost		Financial instruments measured at fair value	Not financial instruments as IAS 39 and IFRS 7
Current assets						
Cash and cash equivalents	21,954,586.23		21,954,586.23			0.00
Trade receiveables	20,309,493.55	4,352,722.86	15,956,770.69			0.00
Intercompany financial assets	43,782.48		43,782.48			0.00
Inventories	10,382,752.37					10,382,752.37
Other current assets	322,082.15		322,082.15			0.00
Income tax receivables	345,758.84					345,758.84
Non-current assets						
Property, plant and equipment	3,456,316.00					3,456,316.00
Intangible assets	166,100.00					166,100.00
Goodwill	2,950,000.00					2,950,000.00
Non-current financial assets	5,252,257.96				5,252,257.96	0.00
Long-term financial assets shown in balance sheet acc. equity method	238,186.36					238,186.36
Loans	316,000.00		316,000.00			0.00
Deferred taxes	1,497,568.94					1,497,568.94
Total assets	**67,234,884.88**	**4,352,722.86**	**38,593,221.55**	**0.00**	**5,252,257.96**	**19,036,682.51**

Liabilities						
Current liabilities						
Trade accounts payable	4,882,493.15			4,882,493.15		0.00
Intercompany payables	0.00			0.00		0.00
Other provisions	6,873,956.84					6,873,956.84
Income tax payable	1,169,679.67					1,169,679.67
Other current liabilities	1,935,418.94			1,935,418.94		0.00
Deferred income	6,797,107.89					6,797,107.89
Non-current liabilities						
Deferred taxes	282,357.68					282,357.68
Provisions for pensions	6,429,989.90					6,429,989.90
Other provisions	123,306.00					123,306.00
Total non-current liabilities	**28,494,310.07**	**0.00**	**0.00**	**6,817,912.09**	**0.00**	**21,676,397.98**

Related party disclosures

The consolidated companies within 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 six months of the 2017 financial year, 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 six months of the 2017 financial year, the members of the Supervisory Board did not receive any other remuneration or benefits for services provided personally over and above the Supervisory Board remuneration as regulated in the Articles of Association of secunet Security Networks AG, 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

With effect as of 1 July 2017, secunet AG acquired from bintec elmeg security GmbH the "packetalarm" product and the "snort" solution on which it is based, for 0.8 million euros through an asset deal. This was done to ensure that delivery obligations arising from existing customer projects can continue to be met. Software licences, office and business equipment, as well as trademarks and IP rights were transferred. Cash and cash equivalents, and bank balances, trade receivables, and all liabilities were not transferred. The office will operate as a secunet Security Networks AG branch in future. The staff there will in future be employees of secunet. A purchase price allocation based on the requirements of IFRS 3 is been carried out but has not been completed yet.

Essen, 31 July 2017

Dr Rainer Baumgart Thomas Pleines

Review Report

to secunet Security Networks Aktiengesellschaft, Essen

We have reviewed the Consolidated Interim Financial Statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes, together with the Interim Group Management Report of secunet Security Networks AG, Essen, for the period from 1 January to 30 June 2017, which are the components of the Half-Year Report pursuant to Section 37w of the German Securities Trading Law (WpHG). The company's legal representatives are responsible for the preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS standards for interim reporting as applicable in the EU, and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Law (WpHG) applicable to interim group management reports. 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 the generally accepted standards for the review of financial statements in Germany promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the review to obtain some degree of certainty, through critical evaluation, that the Condensed Consolidated Interim Financial Statements have been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as they apply in the EU and that the Interim Group Management Report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Law (WpHG) applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with the terms of our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

On the basis of 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 they apply in 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 Law (WpHG) applicable to interim group management reports.

Essen, 2 August 2017

KPMG AG
Audit Firm

Bornhofen	Mertens
Auditor	Auditor

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable accounting 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 fair review 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 rest of the financial year."

Essen, 31 July 2017

Dr Rainer Baumgart　　Thomas Pleines

Financial calendar 2017

3 August
Half-Year Report 2017

7 November
Consolidated Quarterly Report as of 30 September 2017

Imprint

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This Half-Year Report is also available in German. In the event of conflicts, the German-language-version shall prevail.

secunet