

# Half-Year Report

## 2020



**CYan**  
DIGITAL SECURITY

**cyan** AG, Munich DE



# Key Figures

| <b>Earnings Figures</b>     |            | <b>H1 2020</b> | <b>H1 2019</b> | <b>Change</b> |
|-----------------------------|------------|----------------|----------------|---------------|
| Total earnings <sup>a</sup> | in EUR Mn. | 19.2           | 7.9            | +142%         |
| EBITDA <sup>b</sup>         | in EUR Mn. | 2.2            | -1.0           | -             |
| EBITDA-margin <sup>c</sup>  | in %       | 13%            | -15%           | -             |
| EBIT                        | in EUR Mn. | -0.8           | -3.8           | -             |
| EBIT-margin <sup>c</sup>    | in %       | -5%            | -54%           | -             |
| Group result                | in EUR Mn. | 0.6            | -4.0           | -             |
| Earnings per share          | in EUR     | 0.06           | -0.45          | -             |

| <b>Segment Figures</b>       |            | <b>H1 2020</b> | <b>H1 2019</b> | <b>Change</b> |
|------------------------------|------------|----------------|----------------|---------------|
| Total earnings BSS/OSS       | in EUR Mn. | 15.9           | 5.4            | +193%         |
| Total earnings Cybersecurity | in EUR Mn. | 3.4            | 2.1            | +61%          |
| EBITDA BSS/OSS               | in EUR Mn. | 9.7            | 0.3            | +3,665%       |
| EBITDA Cybersecurity         | in EUR Mn. | -7.1           | -1.0           | -610%         |

| <b>Cash Flow Figures</b> |            | <b>H1 2020</b> | <b>H1 2019</b> | <b>Change</b> |
|--------------------------|------------|----------------|----------------|---------------|
| Operating cash flow      | in EUR Mn. | -4.4           | -2.9           | -48%          |
| Investment cash flow     | in EUR Mn. | -0.5           | -0.0           | -5,438%       |
| Financing cash flow      | in EUR Mn. | -0.4           | 2.1            | -             |

| <b>Balance Sheet Figures</b> |            | <b>30/06/2020</b> | <b>31/12/2019</b> | <b>Change</b> |
|------------------------------|------------|-------------------|-------------------|---------------|
| Assets total                 | in EUR Mn. | 99.5              | 99.3              | +0%           |
| Equity                       | in EUR Mn. | 82.8              | 82.2              | +1%           |
| Net debt <sup>d</sup>        | in EUR Mn. | 1.0               | -5.1              | -             |

| <b>Key Operating Figures</b>         |        | <b>30/06/2020</b> | <b>31/12/2019</b> | <b>Change</b> |
|--------------------------------------|--------|-------------------|-------------------|---------------|
| Number of staff                      |        | 145               | 135               | +7%           |
| Leads in advanced stage <sup>e</sup> |        | 79                | 58                | +36%          |
| Addressable market <sup>f</sup>      | in Mn. | 65                | 50                | +30%          |

<sup>a</sup> Consisting of sales revenue EUR 16.9 million plus other earnings EUR 0.5 million, income from reversal of impairment EUR 0.3 million and changes in finished and unfinished goods and work in progress EUR 1.4 million

<sup>b</sup> Including extraordinary write-down of the contract assets/claim from the Wirecard insolvency

<sup>c</sup> Calculated as EBITDA or EBIT from sales revenues

<sup>d</sup> Consisting of leasing liabilities EUR 4.8 million less cash on hand EUR 3.8 million

<sup>e</sup> Corresponds to leads from internal sales cycle phases: NDA, Proof of Concept, Request for Proposal/Quote, Close to Signing

<sup>f</sup> Existing contractual relationship where technical integration has already been started/implemented

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# Letter from the Management Board



# Letter from the Management Board

Dear Shareholders,

We can look back on the first half of 2020, which was strongly influenced by the COVID-19 pandemic, which is rampant worldwide.

At the beginning of 2020, the focus was still on building up and expanding our sales team, which began in Q4 2019. Some of these employees were recruited directly from the competition and provided us with valuable impulses, which was not least reflected in a significant increase in potential customers. In addition, our software solution was successfully handed over to Orange at the beginning of the year.

At the end of February, the Mobile World Congress in Barcelona was cancelled due to COVID-19. The planned product launch by Orange could therefore not take place as planned. Our employees in Vienna and Sopron had to go to home office in mid-March, followed a few weeks later by those in Latin America. As a technology company we were able to manage this change relatively smoothly and continue our work almost undiminished. However, this often did not work quite as well for our customers. Due to numerous restrictions such as travel restrictions or reduced resources due to short-time work, our customers experienced delays in installation projects or technical on-site workshops.

COVID-19 also had a strong influence on potential customers. In these extraordinary times of global uncertainty, the short-term reaction of most MNOs and insurance companies was to focus on mission-critical business on the one hand, and to be very cautious with new investments or even consider budget cuts on the other. In the medium term, however, the pandemic also holds significant opportunities for our company. The relocation of large parts of the population to home office resulted in a significant increase in data traffic over private, unsecured networks, which led to an immediate increase in damage caused by phishing and malware. Many telecommunications companies recognize this fact and want to offer their customers suitable products for protection.

Thus, despite COVID-19, we were able to conclude several new contracts and co-operations and successfully develop existing customers.

By far the most important project of cyan remains the product launch at Orange in France, which is to be implemented in the second half of the year. The go-live of the cyber security solution is planned in addition to the child protection product, first in the B2B and later in the B2C segment.

The technical implementation was also started at Orange Slovakia. Here all customer groups are included from the very beginning. Due to the significantly less complex network environment, we expect faster implementation here than in France.

We are also in intensive consultation with other Orange subsidiaries across Europe regarding the integration of our solution.

In April 2020, the cooperation with Aon was also successfully implemented technically by uploading the Aon "CySec" app to Google's Play Store and Apple's App Store. Aon will now promote the joint product in Europe in Q4.

At the end of the first half-year, cyan succeeded in concluding an important contract with Virgin Mobile for 83 million end customer licenses. Under this contract, cyan will provide the complete technology for operating an MVNO, including security services. The contract covers Mexico, Colombia and Chile and has a term of five years. Large parts of this license revenue will already be recognized in the second quarter of 2020.

May also saw a contract with MobiFone (Vietnam) for a child protection product. MobiFone is a fast-growing MNO with more than 30 million customers and is considered a highly innovative telecom company nationwide. The child protection app is already available in the App Stores. The next step is supposed to be network-integrated Internet protection.

When the contract with Magenta (formerly T-Mobile Austria) was extended, a substantial broadening of the potential customer base by several hundred thousand end customers with cable Internet access (formerly UPC Austria) was defined. The market launch of the first products in this segment is supposed to be implemented in autumn 2020.

Unfortunately, the Wirecard accounting scandal also affects cyan. A claim against Wirecard in the amount of EUR 5.0 million had to be written off almost in full due to the filing of insolvency of Wirecard Technologies GmbH registered at the beginning of July 2020. The effects of the loss of receivables on the cash flow 2020 are limited for cyan at EUR 1.2 million.

There were also several noticeable developments in our Research & Development department. Our security filter database has had an update cycle of four hours so far (corresponds to the time between the upload of newly identified entries). By using the latest technologies and optimizing research processes, our teams have succeeded in reducing the update cycle to two hours, which means that end customers can be even better protected against current threats on the Internet. The goal is still a near real-time update of customer systems, which we want to achieve by further optimizing the research process and the update interfaces.

In product development, the focus was on standardizing our security portfolio under the title "Seamless Security". This step gives us a further unique selling proposition over our competitors, as we are the only provider to supply all security modules - network-based filters, iOS & Android App and Windows PC - controllable for the end user via a central interface with a uniform look & feel. The completion of this development is planned for Q4 2020 and will be incorporated as an update into our existing product installations.

Furthermore, cyan was included in the VirusTotal platform as a domain blacklisting engine with its proprietary filter database. This means that cyan's software can now also be used by internet users who want to check questionable websites using the service provided by Google's subsidiary VirusTotal. VirusTotal ([www.virustotal.com](http://www.virustotal.com)) is a free online service that analyses individual files or websites with over 70 different anti-virus programs and domain blacklisting scanners.

In mid-September a change in the Management Board of cyan AG was announced. Peter Arnoth, CEO of many years, will retire at his own request and resign from office at the end of December 2020. His designated successor is Frank von Seth, who will take up his office on 1 January 2021. Over the past ten years, Frank von Seth has held various management positions at the world's leading risk adviser Aon. Most recently he was Chief Commercial Officer for Austria and Switzerland. There he was able to conclude numerous major contracts with multinational clients. Prior to that, Frank von Seth worked for QBE Insurance and Euler Hermes Kreditversicherungs AG, including about eight years in Japan and Australia.

Dear shareholders, COVID-19 is slowing everything down, but will not stop us. Especially in challenging times like these, we would like to thank you for the trust you have placed in us and look forward to moving with you into a promising future.

Munich, October 2020



**Peter Arnoth**  
CEO



**Markus Cserna**  
CTO



**Michael Sieghart**  
CFO

**cyan-Share**



# cyan-Share

## cyan share price development 1 Jan 2020 - 30 Jun 2020<sup>a</sup>



<sup>a</sup> Xetra closing price indexed to 100

cyan AG has been listed in the Scale Segment (Open Market) of the Frankfurt Stock Exchange since March 2018. On 20 January 2020, the highest closing price (Xetra) in the first half of 2020 was reached at EUR 23.88. The lowest daily closing price was recorded on 25 June at EUR 9.34. In the first half of 2020, the cyan stock recorded a negative performance of 45.4%. The Scale All Share Performance Index, which covers the performance of all companies listed in the Scale segment, fell by 0.8% in the same period. The market capitalization of cyan AG on 30 June 2020 amounted to EUR 111.9 million on the basis of the bearer shares outstanding at that time.

## Virtual Annual General Meeting 2020

At the second Annual General Meeting of cyan AG, which was held in virtual format this year due to COVID-19, the Management Board and Supervisory Board of cyan AG received great approval from the shareholders for the strategy and orientation adopted by the company. The attendance quorum was 64.43%. All items on the agenda were approved by a large majority (at least 80% for each item).<sup>1</sup>

In addition to discharging the Management Board and the Supervisory Board and electing HLB Dr. Stückmann und Partner mbB as the auditing company for the 2020 financial year, the Annual General Meeting also approved the creation of new authorized capital and the corresponding amendment to the Articles of Association.

In addition, the Articles of Association were adapted to the second shareholder rights directive (ARUG II). This directive regulates the participation and submission of voting rights in the course of a virtual general meeting.

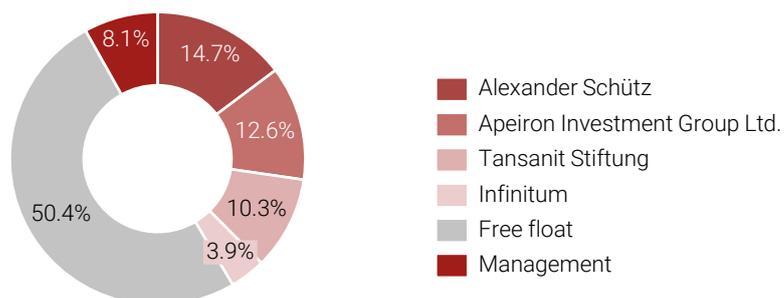
Details of the Annual General Meeting, including the voting results, are available on the website in the Investor Relations section ([ir.cyansecurity.com/en/annual-general-meeting](http://ir.cyansecurity.com/en/annual-general-meeting)).

<sup>1</sup> Each individual item on the agenda received at least 80% votes in favour by the quorum in attendance.

## Shareholder Structure

The shareholder structure as of 30 June 2020, based on the votes registered at the virtual general meeting of cyan, is as follows: Alexander Schütz 14.7%, Apeiron Investment Group Ltd. 12.6%, Tansanit Foundation 10.3%, Management Board of cyan AG 8.1% and Infinitum Ltd. 3.9%. The free float totals 50.4%.

### Shareholder structure



## Key Share Data

|  |                     |
|--|---------------------|
| WKN  | A2E4SV              |
| ISIN   | DE000A2E4SV8        |
| Stock symbol   | CYR                 |
| Trading segment                                      | Open Market (Scale) |
| Sector   | Software            |
| Exchange   | XETRA & Frankfurt   |
| Type of shares                                       | Bearer shares       |
| First trading day                                    | 28 Mar 2018         |
| First issue price in EUR                             | 23.00               |
| Number of shares on 30 June 2020                     | 9,774,538           |
| Market capitalisation 30 June 2020 (in EUR million)  | 111.90              |
| Share price on 30 June 2020 <sup>a</sup>             | 11.45               |
| Percentage change since 1 Jan 2020                   | -45.36%             |
| High during the period (Jan - Jun 2020) <sup>a</sup> | 23.88               |
| Low during the period (Jan - Jun 2020) <sup>a</sup>  | 9.34                |

<sup>a</sup> Xetra closing price

## Research Reports

As of 1 October 2020, the editorial deadline for this half-year report, a total of six research analysts cover the cyan share. Four institutes gave a 'buy' recommendation for cyan shares; one has not published a recommendation and one recommended 'hold'. The average of the issued price targets is EUR 21.40.

| <b>Analyst</b>    | <b>Date</b> | <b>Target price (EUR)</b> | <b>Recommendation</b> |
|-------------------|-------------|---------------------------|-----------------------|
| Bankhaus Lampe    | 20 Aug 2020 | 22.00                     | Buy                   |
| Kepler Cheuvreux  | 26 Jun 2020 | 25.00                     | Buy                   |
| Hauck & Aufhäuser | 24 Jun 2020 | 15.00                     | Buy                   |
| Mainfirst         | 22 Jun 2020 | 15.00                     | Hold                  |
| Edison Research   | 22 May 2020 | -                         | -                     |
| Berenberg         | 2 Apr 2020  | 30.00                     | Buy                   |

## Financial Calendar for 2020

| <b>Event</b>   | <b>Date</b> | <b>Location</b>  |
|--|-------------|------------------|
| Berenberg and Goldman Sachs German Corporate Conference 2020 | 21 Sep 2020 | Virtual / Online |
| Interim Report H1 2020                                       | 15 Oct 2020 | -                |
| Equity Forum   | 16 Nov 2020 | Virtual / Online |
| Berenberg European Conference                                | 2 Dec 2020  | Virtual / Online |
| Quarterly Results Q3 2020                                    | 17 Dec 2020 | -                |

Current dates, upcoming events and news for 2020 are published on the website ([ir.cyansecurity.com](http://ir.cyansecurity.com)).

# Interim Group Management Report



# Interim Group Management Report

## Principles of the Group

### Business Model

CYAN AG (XETR: CYR; hereinafter referred to as “cyan”) is a provider of intelligent IT security solutions and telecom services with more than 15 years of experience in the IT industry. The main business areas of the company are cybersecurity solutions for end customers of mobile and fixed network internet providers (MNO, ISP), financial service providers, virtual mobile operators (MVNO) and BSS/OSS services as a Mobile Virtual Network Enabler (MVNE). The security solutions of cyan are integrated into the infrastructure of the business partner and then offered in the partner’s name (“white-labelled”) to the partner’s end customers (“B2B2C”). In the BSS/OSS business, services such as connection to the network operator, invoicing, provisioning, and similar are offered for the operational business of an MVNO.

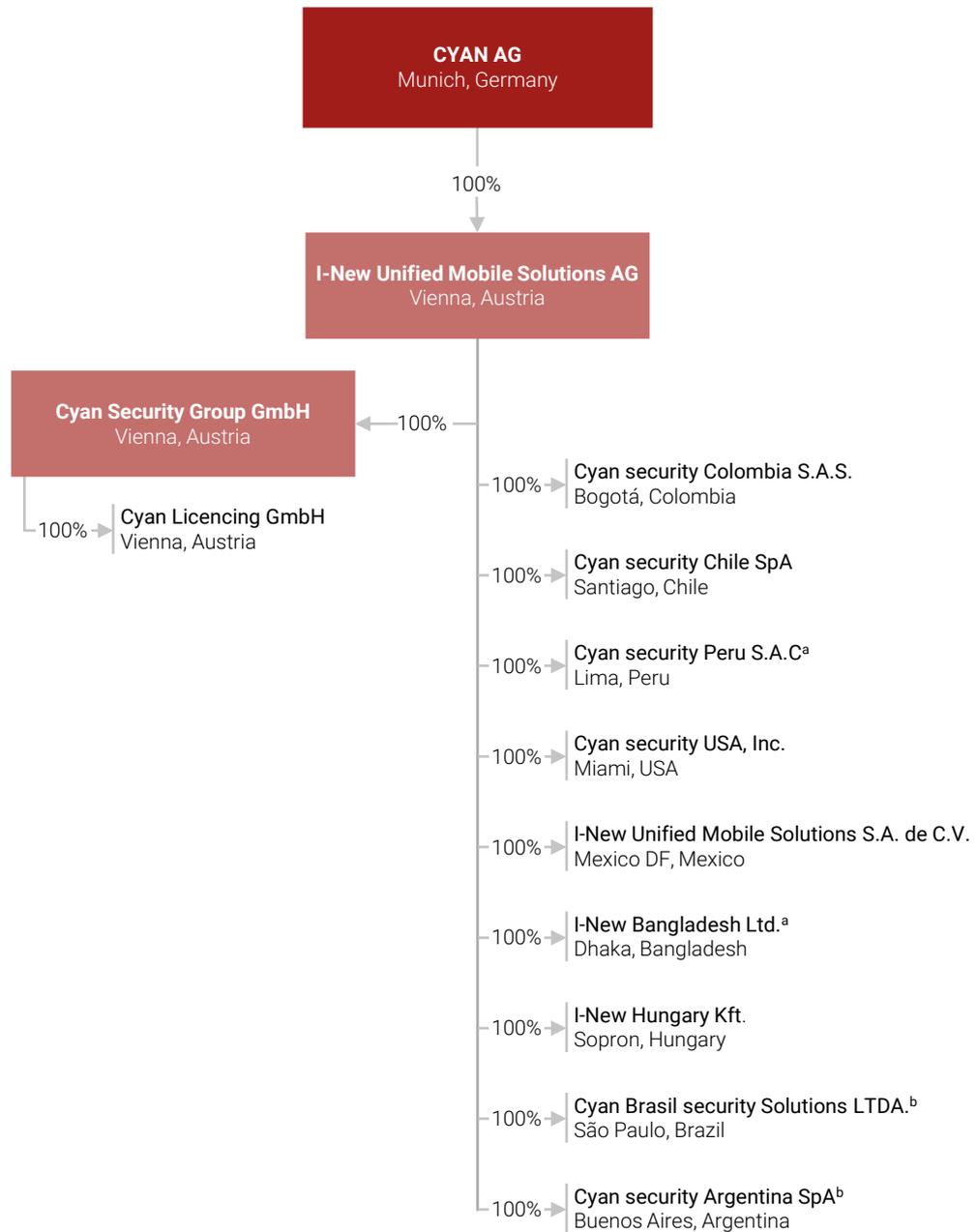
Today, the group has a large number of international customers, through which cyan products are sold to millions of end customers. cyan is able to offer services along the entire value chain, from the platform operation through to data optimization and cybersecurity. In addition, cyan operates its own research and development center with the aim of identifying trends in the industry at an early stage and developing optimal product solutions. In December 2018, cyan was able to win a worldwide group contract with Orange in an international tender process. In addition to other existing key accounts such as T-Mobile and Aon, cyan was able to agree on long-term cooperation with MVNOs such as Flash Mobile and Virgin Mobile.

### Group Structure

cyan AG, based in Munich, Germany, acts as a holding company within the group. The majority of operational services are provided by the subsidiary I-New Unified Mobile Solutions AG (“i-new”) and its subsidiary Cyan Security Group GmbH (“cyan GmbH”).

The strategic management of the group is carried out at the headquarters of the group holding company in Munich. The operational headquarters of the two main companies, cyan GmbH and i-new, are located in Vienna. The key group management indicators for both the past six months and the previous year were revenue, EBITDA and EBITDA margin. In addition, the number of potential customers and incoming orders are constantly monitored for operational management purposes in order to be able to estimate future sales and earnings potential. Furthermore, close attention is also paid to the net liquidity of the individual subsidiaries. As in the previous financial year, the same management ratios are used for both segments listed in the segment report. These are also applied in respect to internal reporting. The group key figures required for management purposes have remained unchanged compared to the previous year.

**Group target structure as of 15 September 2020**



<sup>a</sup> One share held by cyan AG

<sup>b</sup> In the process of formation

## Economic Situation and Business Development

### Economic Environment

The global economic situation experienced a significant shock at the beginning of the year due to the spread of the coronavirus (COVID-19) and market volatility increased due to this increased uncertainty.<sup>2</sup> Together with the measures to contain COVID-19, this led to a significant economic downturn in Europe.<sup>3</sup> It was only towards the end of the second quarter of 2020 that there were signs that economic activity in the Eurozone was starting to pick up again, although it is still significantly weaker than before the coronavirus pandemic and the outlook remains highly uncertain.<sup>4</sup>

The impact of the pandemic is also clouding global economic forecasts. The World Bank's baseline forecast predicts a 5.2% decline in global GDP by 2020 – the deepest global recession in eight decades, despite unprecedented political support.<sup>5</sup>

In the Eurozone, real GDP fell by 3.8% and 11.8% respectively in the first and second quarters of 2020, mainly due to the strict lockdown measures adopted by most Eurozone countries in mid-March. The majority of countries responded early with massive fiscal measures and started easing restrictions in the summer, which is why GDP is expected to recover by 8.4% in the third quarter. Projected for 2020, real GDP in the Eurozone is expected to fall by 8%, but in the following years 2021 and 2022, it is forecast to rise again by 5.0% and 3.2% respectively. Some resurgence of infections is expected to require further containment measures in the coming quarters, albeit to a lesser extent than during the first wave. Together with increased uncertainty and deteriorating labor market conditions, these will continue to weigh on supply and demand.<sup>6</sup>

In the United States of America (US), the coronavirus pandemic was reflected in a sharp increase in unemployment rates by 10.3% to 14.7%.<sup>7</sup> By July, there were signs of a slight recovery to 10.2%.<sup>8</sup> As a result, US GDP is expected to contract by 6.1% in 2020, 7.9% lower than earlier forecasts, with recovery also predicted for the US in 2021, with a return to 4.0%. The abrupt recession in the US and China disrupted supply chains and the sharp fall in global commodity prices hit Latin America particularly hard. Economic output in Latin America and the Caribbean is expected to decline by 7.2%. With more robust economic momentum in the run-up to the pandemic and much greater policy leeway, Colombia, however, is expected to contract by 4.9% in 2020. The outlook nevertheless is extremely uncertain and heavily depends on the scale and the duration of the pandemic. In 2021, a normalization of domestic and global conditions should allow growth to recover to 2.8%.<sup>9</sup>

In view of the major disruptions caused by the pandemic, growth in China is expected to slow sharply, from 6.1% in 2019 to 1.0% in 2020 – 4.9% less than in previous projections and the lowest growth rate in more than four decades. Growth is nevertheless expected to pick up again in 2021 and reach 6.9%, partly due to a projected recovery in global demand. The rest of the Asia-Pacific region (APAC) experienced the spread of COVID-19 and the related measures, in some cases somewhat later. Developing markets in East Asia

<sup>2</sup> ECB (2020), Economic Bulletin, Issue 2 / 2020.

<sup>3</sup> ECB (2020), Economic Bulletin, Issue 4 / 2020.

<sup>4</sup> ECB (2020), Economic Bulletin, Issue 5 / 2020.

<sup>5</sup> World Bank (2020), Global Economic Prospects – June 2020.

<sup>6</sup> ECB (2020), Eurosystem staff macroeconomic projections for the euro area – June 2020; ECB (2020), Eurosystem staff macroeconomic projections for the euro area – September 2020.

<sup>7</sup> U.S. Bureau of Labor Statistics (2020), The Employment Situation – April 2020.

<sup>8</sup> U.S. Bureau of Labor Statistics (2020), The Employment Situation – July 2020.

<sup>9</sup> World Bank (2020), Global Economic Prospects – June 2020.

and Pacific and South Asia are projected to see a significant slowdown in regional growth in 2020, to +0.5% and 0.7% respectively, reflecting the impact of pandemic closures, tighter financing conditions and a sharp decline in exports. Although subject to considerable uncertainty, regional growth is expected to pick up again to 6.6% or around 3.0% by 2021, as the pandemic abates, global import demand recovers and capital flows to the region normalize.<sup>10</sup>

## Organizational Structure and Personnel Development

Since 2019 was marked in particular by the integration of i-new and the consistent expansion of the organization, the first half of 2020 saw the targeted strengthening of the Sales and Business Development departments in particular but also of the Development department. cyan is a strong employer for its employees, so there were neither COVID-19 conditional waves of layoffs nor were employees put on to part-time hours. Due to the current order situation, cyan will continue to consistently expand important areas in the company.

A positive aspect of COVID-19 over the past six months was the smooth transition to a home office environment for large sections of the workforce. Important areas such as the monitoring of systems in operation were able to continue unhindered while maintaining all safety and hygiene standards.

As of 30 June 2020, cyan employed 150 persons (this corresponds to 145 FTE). This means an increase of 10 FTE compared to 31 December. After the reporting date, there was further staff expansion in core areas (especially sales and development).

A significant proportion of the workforce, just under 70%, is employed in Operations, Development and Research and Development. At the same time, about 40% of the workforce was employed outside the European Union. Women account for about a quarter of the global workforce and this is expected increase in the coming months and years.

| <b>in FTE as of 30 Jun 2020</b>                                     | <b>Total</b> | <b>EU</b>  | <b>Rest of the world</b> |
|---|--------------|------------|--------------------------|
| <b>Personnel</b>  | <b>145</b>   | <b>112</b> | <b>33</b>                |
| <i>thereof in Operations, Development, Research and Development</i> | <i>99</i>    | <i>73</i>  | <i>26</i>                |

<sup>10</sup> World Bank (2020), Global Economic Prospects – June 2020.

## Earnings, Financial and Asset Position

### Earnings Development

Total income in the first half of 2020 amounted to EUR 19.2 million, compared with EUR 7.9 million in the same period in 2019 and comprises sales of EUR 16.9 million, EUR 0.5 million from other operating income, reversals of impairment losses of EUR 0.3 million and EUR 1.4 million from changes in inventories. This represents a growth of 142% compared to the first half of 2019. The increase is partly due to the conclusion of a substantial license agreement with Virgin Mobile in the second quarter of 2020, which contributed to reported sales in the BSS/OSS segment.

### EBITDA

In addition to personnel expenses of EUR 5.5 million and cost of materials of EUR 2.0 million, other operating expenses amounted to EUR 3.3 million. At the same time, value adjustments of EUR 4.5 million were recorded in connection with the write-down of the contract asset/receivable from Wirecard Technologies GmbH. These are attributable exclusively to the cybersecurity segment. In addition, old receivables from Virgin Mobile in the amount of EUR 1.7 million were waived, which affects the result in the BSS/OSS segment.

EBITDA thus amounted to EUR 2.2 million, compared to EUR -1.0 million in the previous year which corresponds to an EBITDA margin of 13%.

EBITDA consists of EUR 9.7 million from the BSS/OSS segment and EUR -7.1 million from the Cybersecurity segment. After deducting the holding expenses of EUR 0.4 million, the reported consolidated EBITDA totaled EUR 2.2 million.

### Financial Results

The financial result in the past period amounts to EUR 0.2 million (2019: EUR -0.1 million) and comprises financial income of EUR 0.3 million (of which the majority is interest income on capitalized contract assets, which was recognized in accordance with IFRS 15) and financial expenses of EUR 0.0 million.

### Net Profit and Earnings per Share (EPS)

cyber's net result was EUR 0.6 million in the first six months of 2020, compared to EUR -4.0 million in the same period in 2019, which corresponds to positive earnings per share of EUR 0.06 in the first half-year 2020.

### Cash Flow

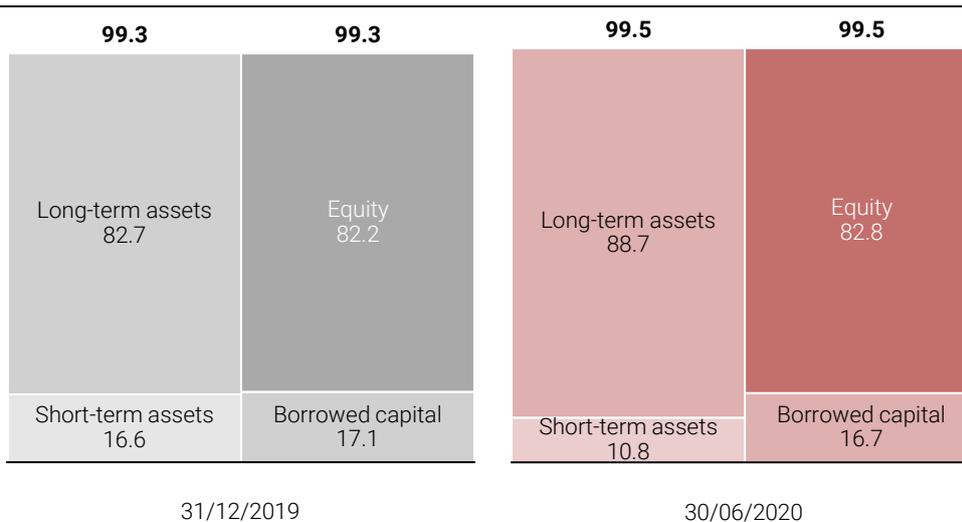
The operating cash flow is negative at minus EUR 4.4 million for several reasons. The reported revenues from Virgin Mobile and, in the previous year, from ACN/Flash Mobile are subject to a separate payment plan, which will be settled over the next few years. In addition, there was a further significant increase in the number of employees, which is reflected in the company's cost structure. At the same time, the project with Orange resulted in further expenses, particularly in the implementation of additional products or the development of the 'go-to-market' strategy, which were offset by insignificant sales in the first half of the year.

## Balance Sheet Structure

cyan has a balance sheet total of EUR 99.5 million as of 30 June 2020, compared to EUR 99.3 million at the end of last year. Equity increased by EUR 0.6 million to EUR 82.8 million due to the consolidated profit for the first half of the year.

The balance sheet structure is as follows:

### Balance sheet structure as of 31 December 2019 and 30 June 2020



No financial liabilities were taken up during the course of the half-year so that cyan had no material bank loans outstanding at the end of June 2020. The cash balance of EUR 3.8 million at 30 June 2020 is offset by financial liabilities, which consist almost exclusively of lease liabilities in accordance with IFRS 16, of EUR 4.8 million. Net debt was therefore EUR 1.0 million. In addition, there are deferred tax liabilities of EUR 5.6 million.

Capital expenditure in the past six months was only made on a minor scale. Since cyan's business model is low in required investments (no significant investments are planned in the near future), no analysis is made here.

## Significant Contracts 2020

By far the most important project for cyan remains the product launch at Orange in France, which is to be implemented in the second half of the year. The going live of the cybersecurity solution is planned in addition to the child protection product, initially in the B2B segment and later in the B2C segment. At the same time, the roll-out in other Orange European countries is already partially underway.

In April 2020, cooperation with Aon was also successfully implemented technically by uploading the Aon "CySec" app to Google's Play Store and Apple's App Store. Aon will now intensively promote the joint product in Europe in Q4.

At the end of the first half-year, cyan succeeded in concluding an important contract with Virgin Mobile for 83 million end customer licenses. Under this contract, cyan will provide the complete technology for operating an MVNO, including security services. The contract covers Mexico, Colombia and Chile and has a term of five years. Large parts of this license revenue have already been realized in the second quarter of 2020.

May also saw the first "purely digital conclusion" of the contract with MobiFone (Vietnam) for the child protection technology. MobiFone is a fast-growing MNO with more than 30 million customers and is considered a highly innovative telecom company nationwide. The child protection app is already available in various app stores. The next step is supposed to be network-integrated Internet protection.

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Unfortunately, the Wirecard accounting scandal also affects cyan. A claim against Wirecard to the amount of EUR 5.0 million had to be written off almost in full due to the filing of insolvency of Wirecard Technologies GmbH, registered at the beginning of July 2020. The effects of the loss of receivables on the cash flow 2020 are limited for cyan at EUR 1.2 million.

## Significant Events After the Balance Sheet Date

On 3 July, the second Annual General Meeting of cyan AG took place, which was held in virtual format due to the prevailing COVID-19 pandemic. The Management Board and Supervisory Board of cyan AG received great approval from the shareholders for the strategy adopted by the company. All items on the agenda were approved by a large majority. In total, 64.43% of the registered share capital was represented.

In mid-September a change in the Management Board of cyan AG was announced. Peter Arnoth, CEO of many years, will retire at his own request and resign from his role at the end of December 2020. His designated successor is Frank von Seth, who will take up his role on 1 January 2021. Over the past ten years, Frank has held various management positions at the world's leading risk adviser AON. Most recently, he was Chief Commercial Officer for Austria and Switzerland. There he was able to conclude numerous major contracts with multinational clients. Prior to this, Frank worked for QBE Insurance and Euler Hermes Kreditversicherungs AG, including about eight years in Japan and Australia.

There will also be a change in the Supervisory Board. Volker Rofalski will leave the board at his own request on 31 December 2020. The Supervisory Board will propose Alexander Schütz, one of the largest investors in cyan AG, for the court appointment as a new member to fill the vacant supervisory position. The change is expected to be completed by the end of the year.

In order to further streamline the corporate structure, applications for the merger of several group companies were submitted to the competent commercial register court in September 2020. At the editorial deadline for the interim report, some mergers have already been published in the commercial register. The company organization chart shown in the subchapter group structure already anticipates the targeted structure.

## Miscellaneous

The half-year financial statements have not been audited or reviewed by an auditor.

Furthermore, the opportunities and risks report is omitted, as no significant changes to the statements in the 2019 annual financial statements were identified (including the risk assessment in relation to COVID-19).



# Interim Consolidated Financial Statements



# Interim Consolidated Financial Statements

## Consolidated Statement of Comprehensive Income

### Statement of Profit and Loss

| in EUR thousand                                    | Note | H1 2020      | H1 2019       |
|--|------|--------------|---------------|
| Revenues   | 1    | 16,932       | 7,029         |
| Other operating income                             | 2    | 548          | 903           |
| Income from the reversal of impairment losses      | 2    | 327          | -             |
| Change in finished and unfinished goods            | 2    | 1,443        | -             |
| Costs of goods sold                                |      | -1,999       | -2,006        |
| Personnel expenses                                 |      | -5,510       | -4,585        |
| Value adjustment of trade receivables <sup>a</sup> |      | -4,546       | -2            |
| Losses from the derecognition of financial assets  | 3    | -1,678       | -             |
| Other expenses                                     |      | -3,317       | -2,373        |
| <b>EBITDA</b>                                      |      | <b>2,200</b> | <b>-1,034</b> |
| Depreciation and amortization                      | 4    | -3,000       | -2,786        |
| <b>Operating result (EBIT)</b>                     |      | <b>-800</b>  | <b>-3,820</b> |
| Financial income                                   |      | 262          | 76            |
| Financial expenses                                 |      | -27          | -165          |
| <b>Earnings before tax (EBT)</b>                   |      | <b>-566</b>  | <b>-3,910</b> |
| Taxes on income and earnings                       |      | 1,197        | -57           |
| <b>Earnings after tax</b>                          |      | <b>631</b>   | <b>-3,967</b> |

<sup>a</sup> 2020 relates to the value adjustment based on the Wirecard agreement

### Other Comprehensive Income (OCI)

| in EUR thousand                               | Note | H1 2020    | H1 2019       |
|---|------|------------|---------------|
| Gains (losses) from exchange rate differences |      | 45         | -21           |
| <b>Total result for the period</b>            |      | <b>677</b> | <b>-3,988</b> |

### Earnings per Share

| in EUR per share             | Note | H1 2020 | H1 2019 |
|------------------------------|------|---------|---------|
| Undiluted earnings per share |      | 0.06    | -0.45   |
| Diluted earnings per share   |      | 0.06    | -0.45   |

## Consolidated Statement of Financial Position

### Assets

| in EUR thousand   | Note | 30/06/2020    | 31/12/2019    |
|---|------|---------------|---------------|
| <b>Non-current assets</b>                                 |      |               |               |
| Intangible assets   |      | 61,181        | 63,744        |
| <i>Patents, customer relationships and similar rights</i> |      | 13,707        | 14,520        |
| Software  |      | 15,776        | 17,499        |
| Development costs   |      | 918           | 945           |
| Goodwill  |      | 30,779        | 30,779        |
| Tangible assets   |      | 4,566         | 2,916         |
| Land and buildings  |      | 3,887         | 2,207         |
| Machines and other equipment                              |      | 52            | 60            |
| Business and office equipment                             |      | 627           | 649           |
| Other receivables   |      | 79            | 397           |
| Financial receivables                                     |      | 297           | 374           |
| Contract costs  | 5    | 4,584         | 3,038         |
| Contract assets   | 5    | 17,693        | 11,771        |
| Deferred tax assets                                       |      | 294           | 432           |
| <b>Total non-current assets</b>                           |      | <b>88,693</b> | <b>82,670</b> |
| <b>Current assets</b>                                     |      |               |               |
| Trade receivables and other receivables                   | 5    | 1,613         | 3,898         |
| Contract assets   | 5    | 3,076         | 1,888         |
| Inventories   |      | 12            | 13            |
| Tax receivables   |      | 617           | 470           |
| Other receivables and assets                              |      | 1,573         | 1,640         |
| Financial assets (receivables)                            |      | 165           | 164           |
| Cash and cash equivalents                                 |      | 3,791         | 8,512         |
| <b>Total current assets</b>                               |      | <b>10,848</b> | <b>16,585</b> |
| <b>Total assets</b>                                       |      | <b>99,541</b> | <b>99,255</b> |

## Equity and Liabilities

| in EUR thousand                      | Note | 30/06/2020    | 31/12/2019    |
|--------------------------------------|------|---------------|---------------|
| <b>Equity</b>                        |      |               |               |
| Share capital                        | 7    | 9,775         | 9,775         |
| Reserves                             |      | 73,059        | 72,382        |
| <i>Capital reserve</i>               |      | 68,269        | 68,269        |
| <i>Other reserves</i>                |      | 189           | 143           |
| <i>Reserves according to IAS 9</i>   |      | -1            | -1            |
| <i>Profit/loss carried forward</i>   |      | 4,603         | 3,971         |
| <b>Total equity</b>                  |      | <b>82,833</b> | <b>82,157</b> |
| <b>Non-current liabilities</b>       |      |               |               |
| Non-current provisions               |      | 6             | 7             |
| Contract liabilities                 | 5    | 60            | -             |
| Leasing liabilities                  |      | 4,025         | 2,812         |
| Other non-current liabilities        |      | 511           | 300           |
| Deferred tax liabilities             |      | 5,558         | 7,160         |
| <b>Total non-current liabilities</b> |      | <b>10,160</b> | <b>10,278</b> |
| <b>Current liabilities</b>           |      |               |               |
| Trade payables and other liabilities |      | 3,019         | 3,409         |
| Current provisions                   |      | 1,601         | 2,328         |
| Financial liabilities                |      | 2             | 9             |
| Leasing liabilities                  |      | 791           | 635           |
| Contract liabilities                 | 5    | 39            | -             |
| Current tax liabilities              |      | 1,097         | 439           |
| <b>Total current liabilities</b>     |      | <b>6,548</b>  | <b>6,820</b>  |
| <b>Total liabilities</b>             |      | <b>16,708</b> | <b>17,098</b> |
| <b>Total equity and liabilities</b>  |      | <b>99,541</b> | <b>99,255</b> |

## Consolidated Statement of Cash Flow

| in EUR thousand  | Note     | H1 2020       | H1 2019       |
|--|----------|---------------|---------------|
| Result before tax from continuing operations                       |          | -566          | -3,910        |
| Result before tax from discontinued operations                     |          | -             | -             |
| <b>Result before tax</b>   |          | <b>-566</b>   | <b>-3,910</b> |
| <b>Adjustments to reconcile profit before tax to net cash flow</b> |          |               |               |
| Profit/loss from decreases in assets                               |          | -             | 7             |
| Depreciation/amortisation of intangible and tangible assets        |          | 3,000         | 2,786         |
| Increase/decrease in provisions                                    |          | -728          | -278          |
| Financial income   |          | -262          | -76           |
| Financial expenses   |          | 27            | 165           |
| Other expenses/income with no influence on cash                    |          | -7,754        | -50           |
|  |          | <b>-6,283</b> | <b>-1,356</b> |
| <b>Working capital adjustments</b>                                 |          |               |               |
| Change in inventories  |          | 1             | -0            |
| Change in contract assets/contract costs                           |          | 484           | 1             |
| Change in trade receivables and other receivables                  |          | 1,275         | 429           |
| Change in trade payables and other liabilities                     |          | 33            | -1,530        |
| Change in contract liabilities                                     |          | 99            | -             |
| <b>Net cash flow from earnings before taxes</b>                    |          | <b>-4,391</b> | <b>-2,457</b> |
| Income taxes paid  |          | 31            | -490          |
| <b>Cash flow from operating activities</b>                         | <b>8</b> | <b>-4,359</b> | <b>-2,946</b> |

| <b>in EUR thousand</b>  | <b>Note</b> | <b>H1 2020</b> | <b>H1 2019</b> |
|---|-------------|----------------|----------------|
| Purchase of plant and equipment and intangible assets                               |             | -554           | -110           |
| Purchase of financial assets  |             | 78             | -              |
| Proceeds from the sale of property, plant and equipment                             |             | 11             | 26             |
| Interest received   |             | 2              | 76             |
| <b>Cash flow from investing activities</b>  | <b>9</b>    | <b>-464</b>    | <b>-8</b>      |
| Proceeds from loans and borrowings  |             | -              | 2,537          |
| Repayment of financial liabilities  |             | -7             | -0             |
| Payments from financing obligations   |             | -404           | -280           |
| Interest paid   |             | -5             | -153           |
| <b>Cash flow from financing activities</b>  | <b>10</b>   | <b>-416</b>    | <b>2,104</b>   |
| <b>Net cash flow</b>  |             | <b>-5,239</b>  | <b>-850</b>    |
| Cash and cash equivalents at the beginning of the financial year                    |             | 8,512          | 1,942          |
| Cash and cash equivalents at the end of the period                                  |             | 3,791          | 1,109          |
| <i>thereof effect of foreign exchange rate changes on cash and cash equivalents</i> |             | 519            | 17             |

## Consolidated Statement of Changes in Equity

| in EUR thousand  | Nominal capital | Capital reserve | Currency reserve |
|--|-----------------|-----------------|------------------|
| <b>01/01/2019</b>  | <b>8,765</b>    | <b>42,086</b>   | <b>74</b>        |
| Net loss/profit for the year                             | -               | -               | -                |
| Changes in the scope of consolidation                    | -               | -               | -                |
| Other comprehensive income after tax                     | -               | -               | 69               |
| <b>Total result for the financial year</b>               | <b>-</b>        | <b>-</b>        | <b>69</b>        |
| Share-based remuneration                                 | -               | 657             | -                |
| Capital increase   | 1,010           | 25,526          | -                |
| <b>31/12/2019</b>  | <b>9,775</b>    | <b>68,269</b>   | <b>143</b>       |
| Annual loss/profit                                       | -               | -               | -                |
| Changes in the scope of consolidation                    | -               | -               | -                |
| Other comprehensive income after tax                     | -               | -               | 45               |
| <b>Total comprehensive income for the financial year</b> | <b>-</b>        | <b>-</b>        | <b>45</b>        |
| Share-based remuneration                                 | -               | -               | -                |
| Capital increase   | -               | -               | -                |
| <b>30/06/2020</b>  | <b>9,775</b>    | <b>68,269</b>   | <b>188</b>       |

|  | Retained earnings | Reserves i.a.w. IAS 19 | Profit/loss carried forward | Non-controlling interest | Total         |
|--|-------------------|------------------------|-----------------------------|--------------------------|---------------|
|  | -                 | -                      | -558                        | -                        | <b>50,366</b> |
|  | -                 | -                      | 4,530                       | -                        | 4,530         |
|  | -                 | -                      | -                           | -                        | -             |
|  | -                 | -1                     | -                           | -                        | 68            |
|  |                   | <b>-1</b>              | <b>4,530</b>                | -                        | <b>4,598</b>  |
|  | -                 | -                      | -                           | -                        | 657           |
|  | -                 | -                      | -                           | -                        | 26,535        |
|  | -                 | <b>-1</b>              | <b>3,971</b>                | -                        | <b>82,157</b> |
|  | -                 |                        | 631                         | -                        | 631           |
|  | -                 | -                      | -                           | -                        | -             |
|  | 0                 | -                      | -                           | -                        | 45            |
|  | <b>0</b>          | -                      | <b>631</b>                  | -                        | <b>677</b>    |
|  | -                 | -                      | -                           | -                        | -             |
|  | -                 | -                      | -                           | -                        | -             |
|  | <b>0</b>          | <b>-1</b>              | <b>4,603</b>                | -                        | <b>82,833</b> |

# Notes to the Interim Consolidated Financial Statements



# Notes to the Interim Consolidated Financial Statements

## Information About the Company

CYAN AG, headquartered in Munich (Fünf Höfe, Theatinerstrasse 11, 80333 Munich), is a stock corporation, registered in the Commercial Register B of the Munich District Court under HRB 232764 and has been listed on the German stock exchange in the Open Market Scale Segment since March 2018. CYAN AG acts as a holding company within the group. The operational services are provided by the Austrian subsidiary I-New Unified Mobile Solutions AG and its subsidiaries, in particular CYAN Security Group GmbH. CYAN Security Group GmbH and its subsidiaries provide cybersecurity solutions for Mobile Network Operators (MNO), Mobile Virtual Network Operators (MVNO), banks and insurance companies. I-New Unified Mobile Solutions AG is active as a Mobile Virtual Network Enabler (MVNE).

## Accounting Principles

### Principles of Preparation

These consolidated interim financial statements for the period ended 30 June 2020 were prepared voluntarily in accordance with the applicable International Financial Reporting Standards (IFRS). The designation IFRS also includes the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that are still valid. The interim consolidated financial statements were prepared in accordance with the instructions of the European Union (EU). The condensed scope of the interim consolidated financial statements is in accordance with IAS 34 "Interim Financial Reporting". For further information and disclosures, please refer to the consolidated financial statements for the year ended 31 December 2019. These form the basis for these interim consolidated financial statements.

### Scope and Method of Consolidation

The scope of consolidation is determined in accordance with the provisions of IFRS. In addition to the interim financial statements of CYAN AG, the consolidated interim financial statements include the financial statements of the companies controlled by CYAN AG (and its subsidiaries).

Subsidiaries are companies that are controlled by the group. Control exists when the group can exercise control over the investee, is exposed to fluctuating returns from the investment and can influence the returns in terms of the amount due to its power of disposal. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date on which the group gains control of the subsidiary until the date on which the group ceases to have control.

The scope of consolidation at 30 June 2020 is as follows:

| <b>Company</b>  | <b>Headquarters</b> | <b>Share</b> | <b>Fully consolidated since</b> |
|---|---------------------|--------------|---------------------------------|
| <b>CYAN AG</b>  | <b>Germany</b>      |              |                                 |
| CYAN International Solutions GmbH                               | Austria             | 100%         | 01/01/2018                      |
| CYAN Licencing GmbH   | Austria             | 100%         | 01/01/2018                      |
| CYAN Mobile Security GmbH                                       | Austria             | 100%         | 01/01/2018                      |
| CYAN Networks Software Gesellschaft mbH                         | Austria             | 100%         | 01/01/2018                      |
| CYAN research and development s.r.o. <sup>a</sup>               | Czechia             | 100%         | 01/01/2018 - 28/06/2019         |
| cyan security Chile S.p.A (formerly: I-New Chile S.p.A.)        | Chile               | 100%         | 31/07/2018                      |
| cyan security Colombia S.A.S. (formerly: I-New Colombia S.A.S.) | Colombia            | 100%         | 31/07/2018                      |
| CYAN Security Group GmbH  | Austria             | 100%         | 01/01/2018                      |
| Cyan security Peru S.A.C. (formerly: I-New Peru S.A.C.)         | Peru                | 100%         | 31/07/2018                      |
| Cyan security USA, Inc. (formerly: I-New USA Inc.)              | USA                 | 100%         | 31/07/2018                      |
| I-New Bangladesh Ltd.   | Bangladesch         | 100%         | 31/07/2018                      |
| I-New Hungary Kft.  | Hungary             | 100%         | 31/07/2018                      |
| I-New Unified Mobile Solutions AG                               | Austria             | 100%         | 31/07/2018                      |
| I-New Unified Mobile Solutions, S.A. de C.V.                    | Mexico              | 100%         | 31/07/2018                      |
| Say:Hola! S.A.S. <sup>b</sup>                                   | Colombia            | 100%         | 31/07/2018 - 31/03/2020         |
| smartspace GmbH   | Austria             | 100%         | 31/07/2018                      |

<sup>a</sup> The liquidation of Cyan research and development s.r.o. was completed with the closing balance sheet on 28 June 2019, which is why the company was deconsolidated in 2019

<sup>b</sup> The liquidation of Say: Hola! S.A.S. was completed with the closing balance sheet of 31 March 2020, which is why it was deconsolidated in 2020

The parent company of these interim consolidated financial statements is CYAN AG. The interim consolidated financial statements include all companies in which the parent company has a controlling influence ("control") by way of full consolidation.

The following table shows the changes in the scope of consolidation:

|   | <b>Full consolidation</b> |                   | <b>At-equity</b>  |                   |
|---|---------------------------|-------------------|-------------------|-------------------|
|   | <b>30/06/2020</b>         | <b>31/12/2019</b> | <b>30/06/2020</b> | <b>31/12/2019</b> |
| <b>Balance at the beginning of the reporting period</b> | <b>16</b>                 | <b>17</b>         | <b>0</b>          | <b>0</b>          |
| Included for the first time                             | 0                         | 0                 | 0                 | 0                 |
| Deconsolidated  | 1                         | 1                 | 0                 | 0                 |
| <b>Balance at the end of the reporting period</b>       | <b>15</b>                 | <b>16</b>         | <b>0</b>          | <b>0</b>          |

## Effects due to COVID-19

As stated in the management report, the coronavirus pandemic has developed into a global economic crisis. In this respect, cyan is mainly affected by delays in project implementations and postponements of contract closings. cyan was able to at least partially mitigate the effect on earnings through cost-cutting measures – particularly in travel and trade fair expenses.

In connection with COVID-19, cyan also assessed whether there was any indication of impairment of assets under IFRS 9. Assuming that, due to the lockdown, there will be increased investment in digitisation and, due to the increased home office activity in all industries, also increased investment in protection against cybercrime, cyan assumes that the general economic downturn will not affect the telecommunications industry in particular and thus our main customers, and therefore the expected loss rates, were not adjusted.

In addition, it was assessed whether there was any indication of impairment under IAS 36 due to the outbreak of the COVID-19 pandemic. Due to the observable change in market interest rates, a new assessment of impairment was carried out. For this purpose, the weighted average cost of capital (WACC) was adjusted. The analysis showed that the value in use of the assets was higher than their carrying amounts and therefore there was no need for impairment.

## Accounting and Valuation Methods

In accordance with IAS 34, income tax expense for the interim consolidated financial statements was calculated on the basis of the average annual tax rate expected for the full financial year. The same accounting policies were applied in these interim consolidated financial statements as in the consolidated financial statements for the year ended 31 December 2019. A detailed description of these policies is published in the notes on the consolidated financial statements for 2019.

## New and Amended Accounting Rules

No new standards were mandatory for the first time in the first half of 2020.

The following amended standards are mandatory for the first time:

| <b>Standard</b>                 | <b>Content</b>                                | <b>Effective date</b> |
|---------------------------------|---|-----------------------|
| Framework concept, modification | Revision of the financial reporting framework | 01/01/2020            |
| IFRS 3, Amendment               | Definition of a business operation            | 01/01/2020            |
| IAS 1 and IAS 8, Amendment      | Definition of materiality                     | 01/01/2020            |
| IFRS 9, IAS 39 and IFRS 7       | Interest Rate Benchmark Reform                | 01/01/2020            |

The changes had no material effect on cyan's net assets, financial position and results of operations.

The following amendments or new versions of standards and interpretations are not yet mandatory or applicable or have not yet been adopted by the EU:

| <b>Standard</b> | <b>Contents</b>  | <b>Effective date</b> |
|-----------------|--|-----------------------|
| IFRS 17         | Insurance policies                                       | 01/01/2023            |
| IAS 1           | Classification of liabilities as current or non-current  | 01/01/2023            |
| Miscellaneous   | Improvements to IFRS, cycle 2018–2022                    | 01/01/2022            |
| IFRS 3          | Changes to references to the Framework in IFRS           | 01/01/2022            |
| IAS 16          | Property, plant and equipment                            | 01/01/2022            |
| IAS 37          | Provisions, contingent liabilities and contingent assets | 01/01/2022            |
| IFRS 16         | COVID-19-related changes to rental concessions           | 01/06/2020            |
| IFRS 4          | Insurance contracts – deferral of IFRS 9                 | 01/01/2021            |

The standards listed above (if adopted by the EU) will not be applied prematurely. From today's perspective, no material effects on the net assets, financial position and results of operations of cyan are expected from the amendments and new versions of the standards and interpretations.

## Segment Reporting

The business activities of our group, the divisions and the products and services from which the reportable segments generate income are the same as those described in the consolidated financial statements for 2019. The statements contained therein with regard to the general information on segment reporting are still correct and valid.

| in EUR thousand                        | BSS/OSS       |              | Cybersecurity |               | Transition  |             | Total         |               |
|--|---------------|--------------|---------------|---------------|-------------|-------------|---------------|---------------|
|  | H1 2020       | H1 2019      | H1 2020       | H1 2019       | H1 2020     | H1 2019     | H1 2020       | H1 2019       |
| <b>Segment total revenues</b>          | <b>15,855</b> | <b>5,398</b> | <b>3,394</b>  | <b>2,108</b>  | <b>0</b>    | <b>426</b>  | <b>19,250</b> | <b>7,932</b>  |
| Segment revenues                       | 15,369        | 5,074        | 1,563         | 1,955         | -           | -           | 16,932        | 7,029         |
| <i>Thereof with external customers</i> | 15,369        | 5,074        | 1,563         | 1,955         | -           | -           | 16,932        | 7,029         |
| <i>Thereof with other segments</i>     | -             | -            | -             | -             | -           | -           | -             | -             |
| <b>EBITDA</b>                          | <b>9,663</b>  | <b>264</b>   | <b>-7,094</b> | <b>-1,000</b> | <b>-370</b> | <b>-298</b> | <b>2,200</b>  | <b>-1,034</b> |

<sup>a</sup> Sales + other operating income + changes in inventories

| in FTE          | BSS/OSS |         | Cybersecurity |         | Transition |         | Total   |         |
|-----------------|---------|---------|---------------|---------|------------|---------|---------|---------|
|                 | H1 2020 | H1 2019 | H1 2020       | H1 2019 | H1 2020    | H1 2019 | H1 2020 | H1 2019 |
| Employees (FTE) | 81      | 85      | 64            | 36      | 0          | 0       | 145     | 121     |

The following table shows the group's non-current property, plant and equipment and intangible assets, broken down by the company's region of origin:

| in EUR thousand  | BSS/OSS       |               | Cybersecurity |               | Transition |            | Total         |               |
|--|---------------|---------------|---------------|---------------|------------|------------|---------------|---------------|
|  | 30/06/2020    | 31/12/2019    | 30/06/2020    | 31/12/2019    | 30/06/2020 | 31/12/2019 | 30/06/2020    | 31/12/2019    |
| Americas   | 1             | 1             | -             | -             | -          | -          | 1             | 1             |
| EMEA <sup>a</sup>  | 17,031        | 18,664        | 48,272        | 47,431        | 54         | 18         | 65,358        | 66,114        |
| APAC <sup>b</sup>  | 387           | 544           | -             | -             | -          | -          | 387           | 544           |
| <b>Non-current property, plant and equipment and intangible assets</b> | <b>17,420</b> | <b>19,210</b> | <b>48,272</b> | <b>47,431</b> | <b>54</b>  | <b>18</b>  | <b>65,746</b> | <b>66,659</b> |

<sup>a</sup> Europe, Middle East and Africa

<sup>b</sup> Asia and Pacific

## Notes to the Statement of Comprehensive Income

### [1] Revenue

Revenue results exclusively from contracts with customers as defined by IFRS 15 and includes all income resulting from the ordinary business activities of our group. New customer contracts were concluded during the financial year, resulting in a significant increase in revenues.

The following table shows the group's sales revenues broken down by country of origin of the business partner.

| in EUR thousand      | BSS/OSS       |              | Cybersecurity |              | Total         |              |
|----------------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                      | H1 2020       | H1 2019      | H1 2020       | H1 2019      | H1 2020       | H1 2019      |
| Americas             | 13,764        | 3,512        | -             | -            | 13,764        | 3,512        |
| EMEA <sup>a</sup>    | 242           | 770          | 1,563         | 1,955        | 1,805         | 2,725        |
| APAC <sup>b</sup>    | 1,363         | 792          | -             | -            | 1,363         | 792          |
| <b>Total revenue</b> | <b>15,369</b> | <b>5,074</b> | <b>1,563</b>  | <b>1,955</b> | <b>16,932</b> | <b>7,029</b> |

<sup>a</sup> Europe, Middle East and Africa

<sup>b</sup> Asia and Pacific

### [2] Other Income, Income from the Reversal of Impairment Losses and Changes in Inventories

Other income, income from reversals of impairment losses and changes in inventories consist of the following items:

| in EUR thousand   | H1 2020      | H1 2019    |
|---|--------------|------------|
| Changes in finished and unfinished goods and work in progress | 1,443        | -          |
| Income from subsidies/research grants                         | 473          | 172        |
| Income from the reversal of impairment losses                 | 327          | -          |
| FX gains  | 24           | 246        |
| Other   | 51           | 485        |
| <b>Total</b>  | <b>2,318</b> | <b>903</b> |

The position changes in finished and unfinished goods and work in progress relates to contract costs for the fulfilment of customer contracts in accordance with IFRS 15 and to capitalized development costs in accordance with IAS 38. The research grant is a grant for research and development, which is paid by the Austrian tax authorities. In 2019, expected credit losses have not yet been determined during the period.

### [3] Losses from the derecognition of financial assets

The losses from the derecognition of financial assets measured at amortized costs in the amount of EUR 1.678 thousand result from a waiver of receivables from the customer Virgin Mobile.

## [4] Depreciation and Amortization

The statement of comprehensive income includes expenses for depreciation and amortization as follows:

| in EUR thousand                               | H1 2020       | H1 2019       |
|---|---------------|---------------|
| Amortisation of intangible assets             | -2,568        | -2,299        |
| Depreciation on property, plant and equipment | -432          | -487          |
| <b>Total</b>                                  | <b>-3,000</b> | <b>-2,786</b> |

## Notes to the Consolidated Accounts

### [5] Assets and Liabilities from Contracts with Customers

The following table shows the status of contract costs (costs to initiate a contract and costs to fulfil a contract), receivables, contract assets and liabilities from contracts with customers in accordance with IFRS 15:

| in EUR thousand                          | 30/06/2020 | 31/12/2019 |
|--|------------|------------|
| Costs of initiating a contract           | 63         | 69         |
| <i>thereof current</i>                   | 63         | 69         |
| <i>thereof non-current</i>               |            |            |
| Costs for the performance of a contract  | 4,521      | 2,969      |
| <i>thereof current</i>                   | 4,521      | 2,969      |
| <i>thereof non-current</i>               |            |            |
| Receivables from deliveries and services | 1,613      | 3,897      |
| <i>thereof current</i>                   |            |            |
| <i>thereof non-current</i>               | 1,613      | 3,897      |
| Contract assets                          | 20,769     | 13,659     |
| <i>thereof current</i>                   | 17,693     | 11,771     |
| <i>thereof non-current</i>               | 3,076      | 1,888      |
| Contractual liabilities                  | 99         | -          |
| <i>thereof current</i>                   | 60         | -          |
| <i>thereof non-current</i>               | 39         | -          |

The costs of initiating a contract include special bonuses for concluding customer contracts. These were capitalized and are amortized over the term of the contract. They are shown in the balance sheet as non-current assets, as the contract term is longer than one year. The costs for the fulfilment of a contract largely comprise personnel costs, purchased services and travel expenses. These are offset against expected sales. Since the performance obligations agreed in the contracts have not yet been fulfilled, these costs represent long-term contract costs. Contract assets have increased due to the conclusion of new contracts, in particular, the extensive contract with Virgin Mobile. In connection with Wirecard Technologies GmbH's filing for insolvency, the contract assets, which were recognized in the balance sheet in 2019 on the basis of the Wirecard contract, were written down at 95% (i.e. TEUR 4,546). Some of the contract assets are classified as current and some as non-current in accordance with IAS 1.

The contractual liabilities are based on services under the Orange contract that have already been invoiced but have not yet been performed and therefore may not yet be reported as income. Some of the contractual liabilities are classified as current and some as non-current in accordance with IAS 1.

## [6] Financial Instruments

Lease receivables are measured at amortized cost and amount to EUR 451 thousand as of 30 June 2020. A fair value measurement according to level 2 (capital value-oriented) resulted in a fair value of EUR 439 thousand.

Long-term financial liabilities include fixed-interest loans from the Austrian Research Promotion Agency (FFG). These are also measured at amortized cost and are recognized at EUR 305 thousand as of 30 June 2020. A fair value measurement according to level 2 (capital value-oriented) resulted in a fair value of EUR 439 thousand.

In the case of trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities, it is assumed that the carrying amounts essentially correspond to the fair values due to the predominantly short-term nature of the items

## [7] Equity

As of 30 June 2020, the share capital amounts to EUR 9,774,538.00 (31 December 2019: EUR 9,774,538.00) and is fully paid up. Changes in share capital and capital reserves are shown in the statement of changes in equity.

At the reporting date, 9,774,538 shares were outstanding (31 December 2019: 9,774,538 shares), with a nominal value of EUR 1.00 per share (31 December 2019: EUR 1.00).

## Notes to the Consolidated Cash Flow Statement

The cash flow statement was prepared using the indirect method. It shows the changes in cash and cash equivalents resulting from cash inflows and outflows during the reporting period and distinguishes between cash flows from operating, investing and financing activities. The funds shown in the cash flow statement are cash and cash equivalents.

### [8] Cash Flow from Operating Activities

The cash flow from operating activities shows the cash flows from the provision and acceptance of services during the reporting period and includes changes in current assets.

### [9] Cash Flow from Investing Activities

The cash flow from investing activities essentially comprises cash outflows for the purchase of property, plant and equipment, financial instruments and intangible assets.

### [10] Cash Flow from Financing Activities

The cash flow from financing activities is largely made up of cash outflows for leases.

## Other Explanatory Notes

### Related Companies and Persons

Up to 30 June 2020, there were no changes to the related party disclosures described in the consolidated financial statements for the year ended 31 December 2019.

### Contingent Liabilities and Commitments

Contingent liabilities include guarantees for rent deposits and credit cards and amount to EUR 1,005 thousand as of the reporting date (31 December 2019: EUR 859 thousand).

### Negative Note

The interim consolidated financial statements of the group as at 30 June 2020 were neither audited nor reviewed by the auditor.

### Significant Events after the Balance Sheet Date

The events between the balance sheet date on 30 June 2020 and the publication on 15 October 2020 include the second Annual General Meeting of cyan AG, the announcement of a change in the Management Board as of 31 December 2020 and corporate law measures to streamline the group structure. A detailed explanation of these events can be found in the group management report.



**Peter Arnoth**  
CEO



**Markus Cserna**  
CTO



**Michael Sieghart**  
CFO

# Assurance by the Legal Representatives



# Assurance by the Legal Representatives

We assure that, to the best of our knowledge, the consolidated interim financial statement convey a true and fair picture of the actual assets, financial and earning positions of the group, in accordance with the applicable accounting principles and that the representations in the management report for the group on the business performance, including on the results and the position of the group are such that an image is provided that is a true and fair reflection of the actual conditions and that the essential risks and opportunities in terms of expected development of the group are described in it.

Munich, October 2020

Management Board of cyan AG



**Peter Arnoth**  
CEO

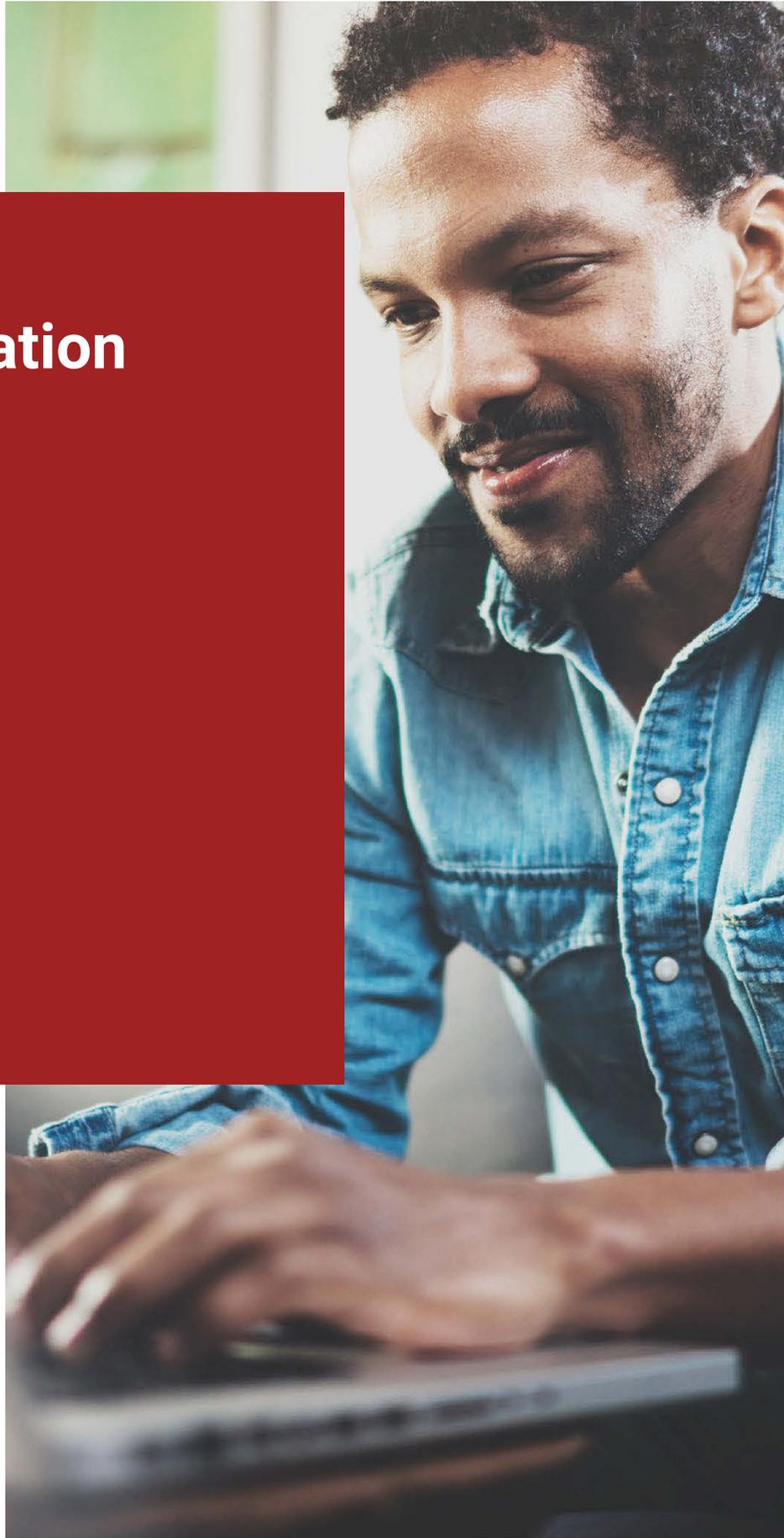


**Markus Cserna**  
CTO



**Michael Sieghart**  
CFO

# Further Information



# Further Information

## Abbreviations

Reference is made to the list of abbreviations in the Annual Report 2019.

## Disclaimer

### Statements on Future Events and Developments

This report contains statements on future events and developments, based on current assessments of the management. Such statements are based on current expectations and certain assumptions and estimates made by management. They are subject to risks, uncertainties and other factors that may cause the actual circumstances, including cyan's assets, financial and earnings positions, to differ materially or to be more negative than those expressly or implicitly assumed or described in these statements.

The business activities of cyan are subject to a number of risks and uncertainties that may cause statement, estimate or prediction in relation to future events and developments to be inaccurate. Statements on future events and developments must not be perceived as guaranties or assurances that such future events or developments will actually materialize.

### Note on Rounding

The figures in this report have been rounded in accordance with prevailing commercial principles. Consequently, rounding differences may occur. Therefore, the sum of the individual values shown may differ from the precisely shown total.

### Gender-neutral formulation

In the interest of legibility, gender-differentiating formulations have been dispensed with throughout. The relevant terms apply to all sexes within the framework of equal rights. The shortened manner of speech has only editorial reasons and does not represent any evaluations on the part of cyan.

### English Translation

The report is also available translated in English. In case of deviations, the German version prevails. The interim report is available for downloading in both languages in the Investor Relations section of the website ([ir.cyansecurity.com](http://ir.cyansecurity.com)).

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