secunet

Annual Report

2022

Protecting Digital Infrastructures

Key Figures

secunet Group

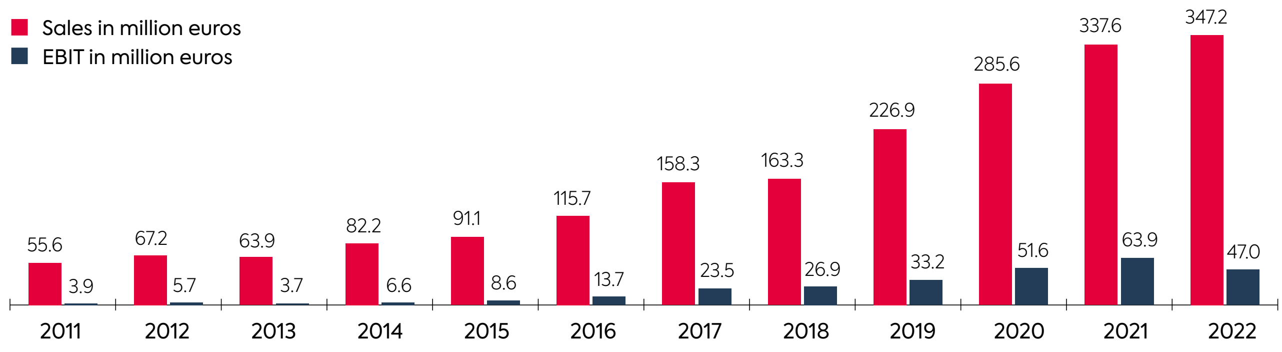
Key operating figures (in million euros)	2022	2021	Change
Sales revenue	347.2	337.6	+3%
Earnings before interest and income taxes (EBIT)	47.0	63.9	-26%
EBIT margin	13.5%	18.9%	-5.4 Pp
Earnings before taxes (EBT)	46.7	63.6	-27%
Group profit for the period	31.3	43.0	-27%
Earnings per share (in euros)	4.84	6.66	-27%
Dividend per share (in euros, subject to resolution of the Annual General Meeting)	2.86	5.38	-47%

Key cash flow figures (in million euros)	2022	2021	Change
Cash flow from operating activities	-4.0	53.8	–%
Cash flow from investing activities	-54.5	-15.7	–%
Cash flow from financing activities	-39.5	-20.2	–%

Key balance sheet figures (in million euros)	31 December 2022	31 December 2021	Change
Balance sheet total	315.4	274.0	+15%
Equity (including non-controlling interests)	127.8	129.8	-2%
Equity ratio	40.5%	47.4%	-6.9 Pp
Cash and cash equivalents	21.5	119.5	-82%
Liabilities	187.6	144.2	+30%
Loans	0.5	0.0	–%
Order book	197.6	185.2	+7%
Permanent employees	958	755	+27%

Key share figures (in million euros)	31 December 2022	31 December 2021	Change
Shares outstanding	6,469,502	6,469,502	–%
Closing price (Xetra, in euros)	196.4	413.5	-53%
Market capitalisation (in billion euros)	1.3	2.7	-53%

Long-term development of sales and EBIT



Public Sector

Digital sovereignty for state and society

A holistic IT security concept is essential for public authorities and armed forces. secunet's Public Sector supports the digital transformation of administrations, authorities and armed forces in Germany and abroad. Trustworthy security solutions assure resilient digital infrastructures and the utmost protection for data, applications and digital identities. Consulting, security analyses and training round out secunet's cybersecurity portfolio. This enables public organisations to leverage the latest technologies while retaining their digital sovereignty.

Business Sector

Secure digitalisation in industry and healthcare

The digital transformation is spawning new business models, accelerating communication and creating more efficient processes in existing value chains. However, increased networking and new technologies simultaneously amplify the risk of cyberattacks, malware, data misuse and espionage. secunet's Business Sector supports companies and the healthcare sector in safeguarding information and communication technologies. The core competence lies in consulting as well as in the development and production of trustworthy security solutions that integrate seamlessly into existing IT landscapes and protect them effectively.

secunet – protecting digital infrastructures

secunet is Germany's leading cybersecurity company. In an increasingly connected world, the Company's combination of products and consulting assures resilient digital infrastructures and the utmost protection for data, applications and digital identities. secunet specialises in areas with particular security requirements – such as eGovernment, eHealth as well as IIoT and cloud computing. With security solutions from secunet, companies can maintain the highest security standards in digitalisation projects and thus expedite their digital transformation.

Contents

Annual Report 2022

1.To the Shareholders

SPOTLIGHT

Digital sovereignty in the cloud:

secunet expands its portfolio of secure cloud solutions

In the wake of the digital transformation, cloud computing has long since found its way into business and private life. For a long time, however, the cloud was taboo in security-critical areas, such as public administration, because as long as there was no alternative to the cloud offerings of the large international IT corporations, questions around transparency and data protection often remained unanswered. To reap the benefits of the cloud, security-sensitive organisations need solutions from independent, trusted providers that can combine the cloud with digital sovereignty. A new, dynamic market has emerged around this need, to which secunet will contribute significantly. That is why secunet is currently investing more in the development of secure cloud infrastructure made in Germany. This project is headed by Norbert Müller, who previously played a decisive role in expanding the successful cybersecurity solutions for public administration.

Challenges faced by public-sector institutions in their cloud transformation include a lack of in-house expertise, skills shortages and crisis-related constraints on investment budgets. What is needed, therefore, are very specific, trustworthy and future-proof products and services. These should be part of a secure, interoperable multi-cloud landscape that can be used flexibly and in a data protection-compliant manner by both the public administration and its service providers.

These considerations form the starting point for secunet's cloud offering. The approach adopted by secunet chooses is an integrative one that involves partners and offers customers freedom of choice, transparency and a high level of security. The portfolio will be extensive enough to meet a wide range of customer requirements in terms of technology stack and operating model – from "as a service" to "on premise". It is also designed to cover all security levels from GDPR-compliant to the high secrecy level CLASSIFIED-SECRET. "The focus is always on enabling productive, easy-to-use digital collaboration between users across different security domains and exploiting the added value of cloud technology even in sensitive areas," says Norbert Müller, Vice President secunet Cloud Solutions.

secunet's path to the cloud

secunet has many years of experience in setting up secure workstations, networks and identities. Together with Cloud&Heat, the company founded the joint venture secustack in 2019 and developed a cloud platform based on the open-source software OpenStack, which was refined with technology from the high-security environment. In 2022, secunet also acquired the cloud and Kubernetes specialist SysEleven, laying the foundation for the path to a cloud-native future.

The secunet cloud solutions generally rely on a high proportion of open-source software. This is not only sensible, but also politically desirable: Open-source technology promotes digital sovereignty because it is open and transparent and can therefore also be independently verified, for example by government agencies. secunet has also been using open-source software outside the cloud for a long time and is actively involved in its further development.

Infrastructure from a single source

secunet's cloud products and solutions can be flexibly integrated into the Secure Inter-Network Architecture (SINA), which is already the de facto standard for secure networks and workstations at public authorities and in public administration. For example, the SINA Workstation, the widely established workstation in public authorities, provides secure access to the cloud. secunet will thus be able to offer an entire IT infrastructure from a single source – and with the security level required in each case. "With secunet's security expertise, as well as the transparency and availability of open-source modules and our approved products, we will offer a secure total solution from the laptop to the network to the cloud," says Müller. "Independence and self-determination thus remain top priorities, even in the cloud age."

Next steps

With the secunet Cloud, a sovereign, trustworthy and at the same time extremely flexible portfolio is being built up. Concrete next steps are the approval of the solutions for classified information as well as certification in compliance with IT baseline protection and the C5 criteria catalogue. But that is not all – in the longer term, the signs point to even greater flexibility. Norbert Müller: "In the longer term, we will deliver a highly secure open source-based hybrid cloud ecosystem that securely combines solutions from both the hyperscalers and the open-source community into resilient multi-cloud offerings. In this way, our goal is to provide a powerful and independent basis for the ongoing digital transformation."

SPOTLIGHT

Articles can also be found on **https://secuview.secunet.com/**

Secure IT (not only) for CRITIS

Learning from critical Infrastructures

Uncertain times make it clear how strongly dependent we are and how much we rely on these foundations in our everyday lives. Especially in the case of critical infrastructures (CRITIS) such as energy suppliers or hospitals, restrictions or failures hit us hard. That is why their IT security is subject to legal regulations.

Other companies that handle sensitive data can also learn from the security technologies designed for CRITIS. And also a cloud solution can be a building block of a security strategy

With regard to IT security, CRITIS operators are confronted with a threat situation that is changing rapidly. In its latest status report on IT security in Germany, the German Federal Office for Information Security (BSI) identified around 144 million new malware variants – an increase of 22 percent compared to the previous year. Attacks with ransomware in particular – malware that encrypts data or threatens to leak it in order to extort money – have increased sharply. The consequences of such an attack can be devastating: in 2021, for example, a university hospital was unable to admit emergency patients for 13 days after a successful attack.

In order to succeed under these circumstances, companies and operators should not see cyber security as a one-off investment, explains Dr Marius Feldmann, COO of Cloud&Heat Technologies GmbH and CEO of secustack GmbH: “After all, IT security is not simply a state that you achieve. It’s a permanent process that involves a permanent build-up of competence – and the corresponding protagonists who want to do exactly the same thing on-site.” This is not only advantageous in the event of damage, it also contributes to the prevention of future cyberattacks.

The IT Security Act 2.0 as an opportunity

In Germany, the new IT Security Act 2.0 (IT-SiG 2.0) will come into force in May 2023, with stricter requirements for CRITIS companies. The group of affected companies will also be significantly expanded, primarily to include the so-called "companies in the special public interest" (UBI). The catalogue of minimum requirements will also be more extensive. But what do truly secure IT infrastructures look like?

The German IT Security Act 2.0 makes a number of concrete specifications in this regard. For example, all security-relevant network and system components may only come from trustworthy manufacturers. Companies must also have systems in place for attack detection, which ideally prevent attacks from reaching the company in the first place because they are detected and stopped at an early stage.

The secure cloud

For public institutions and highly regulated private sector companies such as energy suppliers or healthcare providers, cloud computing has hardly been an option up to now. To change this, secunet has built up a cloud portfolio that brings digital sovereignty to the cloud. One of the cornerstones is the cloud operating system SecuStack, which secunet and Cloud & Heat have developed on the basis of open source software. With **SecuStack**, data is consistently encrypted with the same security modules that secunet has been using for many years in the high-security sector. The cryptographic mechanisms are integrated transparently and can therefore be tested. Users retain control over data and applications at all times. With the acquisition of the cloud and Kubernetes specialist **SysEleven**, secunet has added another cornerstone to its cloud portfolio this year. Now secunet offers a comprehensive, customized cloud offering for public authorities, administrations and security-savvy companies.

In Germany, many hospitals belong to the critical infrastructures.

When designing security measures, however, the concrete requirements of the respective organization are always in the foreground. First of all, committed protagonists and competences on site or the right partners are needed in order to determine which requirements the systems have to fulfil. A comprehensive analysis should not only document possible risks, but also how the system is used and which long-term interests need to be taken into account. Especially when making structural decisions, it pays to think long-term. Even if individual vulnerabilities can always be closed, the last decades show that IT security should not be seen as an acute problem, but as a constant challenge.

Among the most important pillars for secure IT infrastructures are the design and standards of the system itself. The question here is whether manufacturers have already thought about security and protection against external influences during development. Systems that have been developed "secure by design" or "secure by default" are characterised, among other things, by a secure configuration from the time of installation. This provides systems with a fundamental resilience to external access and helps to prevent human error and the resulting security vulnerabilities in advance.

In general, resilience to human error is a crucial feature of secure IT. Therefore, it is also important to find solutions that take this factor into account, as it poses a risk for phishing or social engineering attacks during ongoing operations that should be minimised. A high degree of automation, standardisation where possible and a secure cloud infrastructure can help to reduce the potential for human error, explains Dr Kai Martius, CTO of secunet: "It is very important to prevent possible wrong decisions in advance and to design systems as securely as possible in this respect as well. I think the critical industry has a lot of experience in this in its traditional field. But this has not yet been consistently taken into account in the design of IT systems. This is where cloud technologies can help by providing a high degree of automation."

secunet solutions for CRITIS and UBI

The transparent IT security monitoring and early attack detection solution secunet monitor creates a situation picture in order to quickly screen, assess, contain or directly prevent potential security incidents. In addition, the solution facilitates the assessment by management and the responsible authorities. This enables companies to develop and implement much more targeted short-, medium- and long-term strategies and measures.

With the Secure Inter-Network Architecture SINA, companies can cover all security requirements stipulated by the BSI for working with sensitive data and documents. Employees can use SINA to access sensitive data on their end devices regardless of where they are, and the solution itself meets the requirements for classified information in public authorities. Due to the large variety of available components, SINA can be tailored to very different security requirements – including those of CRITIS and UBI.

In addition, secunet offers comprehensive **consulting, pentest and forensics** services. More information: https://www.secunet.com/en/utilities

Partner selection is crucial

Rarely are all the competences available to set up or manage the required IT infrastructures themselves. It is therefore important to choose the right partners – and to avoid unnecessary dependencies: The introduction of a new cloud infrastructure, for example, requires time-consuming and cost-intensive integration work with the existing systems. This sometimes makes it difficult to switch to another provider at a later date, even if this other solution is better suited to one's own requirements. It is precisely these vendor lock-in scenarios that need to be avoided. The focus here should therefore be on medium- and long-term interests rather than short-term cost advantages

Finally, security is always about trust. Will the security partner prioritise any challenges that may arise? Understanding IT security as a process also means learning from attacks and thus further minimizing potential risks. This understanding should be shared by the partner.

Dr Marius Feldmann (on the left)
and Dr Kai Martius

SPOTLIGHT

Tap-proof voice communication

SINA Communicator H wins iF Design Award

Articles can also be found on **https://secuview.secunet.com/**

Many technological hurdles have to be overcome to make telephone calls at the high security level of GEHEIM/SECRET. This is why the product developers at secunet initially had technology on their minds when they set about the task of developing a highly secure device for voice communication. How can the many characteristics and specifications of communication in the SECRET environment be transferred to the age of IP telephony? All-IP technology at the highest security level – of course. Modern NATO protocols – of course. Tap-proof and emission-protected – of course. But the developers at secunet like challenges. And so they soon asked themselves whether it was enough to cover only the technical aspects.

We all use smartphones in our everyday lives, which offer a variety of other functions in addition to telephony and look pretty good doing it. Are employees in ministries and the armed forces supposed to do without all this when they communicate in a tap-proof manner? “Not with us,” said the secunet developers and created a product that not only offers state-of-the-art security – for example, it is the first national device that is capable of post-quantum cryptography – but also excellent usability and outstanding design.

With its large touch display, the SINA Communicator H has more in common with a tablet than a telephone. Its operating concept is so simple and intuitive that anyone with a smartphone can effortlessly call up its many functions and switch between different levels of secrecy.

The iF jury agreed and in May 2022 presented the SINA Communicator H with the prestigious iF Design Award. The award not only recognises the great design, but also the usability. The SINA Communicator H has thus become the world's only award-winning device for SECRET communication.

Somewhat unexpectedly, the SINA Communicator H also caused a stir among the general public in September 2022: first, German Chancellor Olaf Scholz tweeted a photo of himself at his desk with a red version of the device. In turn, Germany's widest-reach daily newspaper, the BILD, took an interest in this and put the photo on its front page. "When the red phone rings at the chancellor's" was written next to it. In addition, the BILD sensed a "touch of James Bond in the Chancellery". Who would disagree with that?

Foreword by the Management Board

Dear shareholders, customers, business partners and friends of the company,

No sooner has the pandemic subsided than we have had to live with another crisis of global proportions since February of last year. First and foremost, the Russia-Ukraine war is resulting in much human suffering, but also leading to political and economic insecurity worldwide.

As a cybersecurity company, we are often asked what impact the situation has on the security of digital infrastructures in the state, economy and society. The question has two aspects. The first is the present threat; it is classified by the German Federal Office for Information Security (BSI) as "heightened" in the current context. The second aspect is the effectiveness of the protective measures. Here it is worth taking a calm look – because not much has changed in this respect. The protective mechanisms that work against cyber threats and ensure digital sovereignty are still the same. The changed world situation is not forcing a change of strategy in cybersecurity; instead, the existing approach is to be pursued even more consistently. We are doing this together with our customers.

Financial year 2022 closed with record sales revenue

We look back on another very busy financial year in 2022. Despite difficult general conditions, for example with regard to the economic climate or the ongoing upheaval in the global supply chains, we have managed not only to achieve our sales revenue forecast of around 320 million euros, but even to exceed it by a significant margin. With sales revenues of 347 million euros, we also closed the 2022 financial year with a new record.

Axel Deininger Torsten Henn Dr Kai Martius Thomas Pleines

The continued profitable growth path – 2022 was the ninth consecutive year with a year-on-year increase in sales revenue – and the associated gains in our core markets demonstrate the sustainable positive development of our Company.

The development of the workforce corroborates this assessment. Today, secunet Group employs over 1,000 people – an impressive 200 more than just one year ago. The technological expertise we have gained enables us to push forward future-oriented developments that will ensure the Company's medium and long-term growth. In the short term, the growth in the workforce led to a corresponding increase in personnel expenses, which affected the profit margins. In addition, higher scheduled depreciation and amortisation as well as increased costs for third-party services had an impact on the result. Due to these effects, we achieved Group earnings before interest and taxes (EBIT) of 47 million euros or an EBIT margin of 13.5 percent.

Business development during the year 2022 was characterised by very strong year-end business. Increased procurement in the Public Sector segment led to particularly high business results in the fourth quarter of 2022: in the last three months of 2022, we achieved Group sales revenue of 134 million euros (Q4/2021: 88 million euros) and Group EBIT of 23 million euros (Q4/2021: 15 million euros). In terms of both key indicators, this was by far the most successful final quarter in the Company's history.

As in previous years, we would like you, dear shareholders, to participate appropriately in the Company's success. That is why we will recommend to the Annual General Meeting that a dividend of 2.86 euros per share be paid for the 2022 financial year. With a payout ratio of 50 percent of the net income for the year, this is in line with the Company's shareholder-friendly dividend policy of many years.

Sustainable, profitable growth remains our objective

Our overarching objective is to grow profitably across all divisions, nationally and internationally. Our goal here is always to offer our customers the most efficient solutions for protecting IT infrastructures and networked systems, thereby strengthening their digital sovereignty.

The stable basis for the further development of the Company is and remains the Public Sector division, whose products and services are geared towards public clients within and outside Germany, as well as international organisations, and which secures us reliable revenue fields and growth impulses. In the Business Sector division, we are continuing along the path we have taken and are consistently focusing our range of solutions on the requirements of the fast-growing future markets of eHealth, Industry 4.0 and the Internet of Things.

Cloud computing is another important topic in the context of IT security. An important step in this regard was the acquisition of SysEleven GmbH. This acquisition, the largest in our company's history, was completed in May 2022. The Berlin-based company is an established provider of cloud infrastructure, cloud services, managed services and managed Kubernetes. For us, this is a forward-looking development, because the future of IT lies in the cloud, and the same applies to IT security. Consequently, we will be focusing even more on building a sovereign, trusted and highly flexible cloud portfolio.

We start the 2023 financial year very well positioned

There is much to suggest that secunet can look positively to the future. This optimism is backed up by a very good order book. We started the 2023 financial year with firm orders totalling almost 200 million euros. We thus have what we need to continue successfully and confidently on our path as a leading German provider of high-quality cybersecurity solutions. For this reason, we expect significant growth in sales revenue to around 375 million euros in 2023. We expect earnings before interest and taxes (EBIT) to increase slightly to around 50 million euros.

The ongoing global procurement risks will remain for the time being. In 2022, bottlenecks in the supply of semiconductors led to an increase in purchase prices as well as to restrictions and postponements in customer projects. Although there are isolated signs of an improvement in the supply of certain components, a complete return to normality is not expected in 2023.

Expression of thanks

Dear shareholders, we thank you for your continued trust in our company. Especially in uncertain, volatile times, it is not always easy to defend the long-term orientation against desires for short-term performance improvement. We thus appreciate all the more that you are accompanying and supporting us on this path. We will continue to do everything in our power to ensure that secunet Security Networks AG continues to develop successfully in the interests of all stakeholders.

Our heartfelt thanks also go to our employees. We are grateful to be able to count on people who have an unrivalled depth of technological knowledge and, not least, an enormous willingness to perform. We look upon the achievements of the entire secunet team with great appreciation and respect. Together we still have a lot to do.

The Management Board of secunet Security Networks AG

Axel Deininger (CEO)

Thorsten Henn (COO)

Dr Kai Martius (CTO)

Thomas Pleines (CFO)

Supervisory Board report

Dear Shareholders,
Ladies and Gentlemen,

In the 2022 financial year, secunet Security Networks AG has achieved another year of growth, has consolidated and positioned itself very well in its sales markets and, with the acquisition of SysEleven GmbH, has set a groundbreaking milestone for the expansion of its product portfolio for the future. This progress is particularly positive because of the immense changes in the past business year. In the past business year, we experienced considerable geopolitical and economic upheavals in almost all sectors and institutions – especially due to Russia's invasion of Ukraine. Secure communication and better resilience against cyber attacks are therefore more significant than ever before. secunet Security Networks AG and its business model have proven resilient in these crisis situations and have shown that they remain operationally efficient even in this environment.

Dr Ralf Wintergerst

Against this background, the focus is increasingly on "digital sovereignty", i.e. the need to master digitalisation without structural, economic or political dependencies. This is where secunet Security Networks AG makes a significant contribution with its trustworthy IT security solutions and in-depth expert knowledge.

In the reporting year, the Supervisory Board continuously, diligently and conscientiously performed the tasks assigned to it by law and by the Company's Articles of Association and rules of procedure. It continuously monitored and regularly advised the Management Board in its management of secunet Security Networks AG on the basis of the Management Board's detailed written and oral reports and, in the course of performing its duties, satisfied itself that the work of the Management Board was lawful, expedient and proper. Between the Supervisory Board meetings, there was also a regular exchange of information (for example, on current business transactions) between the Chairman of the Supervisory Board and the Chairman of the Management Board as well as the other members of the Management Board. The Supervisory Board was always informed quickly and comprehensively about all events and measures of material importance to the Company, in particular about the strategy, corporate planning including financial, investment and personnel planning, the profitability and the sustainable business development of the Company and the Group.

All members of the Supervisory Board had the opportunity at all times to attend to the Management Board's suggestions and reports in detail and to make their own proposals. Insofar as the approval of the Supervisory Board was required for decisions or measures of the Management Board in accordance with laws, the Articles of Association or the rules of procedure, the members of the Supervisory Board issued this after intensive examination and discussion.

Supervision and examination methods

The Supervisory Board has mainly based its examination on

- the regular reports of the Management Board as provided for by law and the Management Board's rules of procedure,
- the separate reports submitted by the Management Board on occasion and
- the supplementary explanations provided by the Management Board and the auditors.

Each of the reports was submitted to all members of the Supervisory Board. Where the Management Board submitted business measures to the Supervisory Board for approval, the Supervisory Board's copy was in each case accompanied by a presentation of the main points to be considered in taking a decision.

Meetings of the Supervisory Board

Four ordinary meetings were held in the reporting year: on 23 March, 25 May, 28 September and 30 November 2022. Furthermore, the Supervisory Board convened for four extraordinary meetings and resolutions on 5 April, 29 April, 13 May and 9 December 2022. The Supervisory Board also regularly met without the Management Board.

During the past financial year, all members of the Supervisory Board attended all meetings of the Supervisory Board.

In addition, the Supervisory Board passed written circular resolutions between the meetings as required. The Management Board also kept the Supervisory Board informed about projects and plans of particular importance to the Company in the periods between the meetings, by means of detailed written reports. The Supervisory Board discussed with the Management Board any financial information arising over the course of the year, before its publication. In all of the ordinary meetings, the Supervisory Board addressed the current business performance of secunet Security Networks AG. In all ordinary meetings, it also dealt in detail with all relevant issues concerning business and investment planning, and the development of earnings and liquidity. Furthermore, the Supervisory Board members examined in detail the Management Board's assessments regarding market events and the further development and long-term strategy focus of the Company, and discussed these topics in depth with the Management Board. In addition, it focused on the key organisational and personnel changes. One focus of the 2022 financial year was the strategic development of the company through the acquisition of all shares in SysEleven GmbH, Berlin, and its integration into secunet Group.

In all ordinary Supervisory Board meetings, the members of the Supervisory Board received reports on the business development, the risk situation, the opportunity and risk management as well as the compliance of the company.

About the individual meetings and their contents:

At the meeting on 23 March 2022, the Supervisory Board dealt in detail with the business performance in 2021 and the discussion of the financial statements and the combined Management Report for secunet Security Networks AG and the Group as at 31 December 2021 and the report of the Supervisory Board for the 2021 financial year. The Supervisory Board reviewed and finally approved the report of the Supervisory Board, the Annual and Consolidated Financial Statements and the combined Management Report of the Company and the Group. The auditors took part in the discussions on 23 March 2022 and reported on the key results of their audit. The Supervisory Board's proposed resolutions to the Annual General Meeting of secunet Security Networks AG were also adopted at the meeting on 23 March 2022. The Supervisory Board approved the holding of a virtual Annual General Meeting.

The telephone conferences on 5 April, 29 April and 13 May 2022 focused on the announced takeover of SysEleven GmbH, Berlin. At the meeting on 13 May 2022, the Supervisory Board finally approved the signing of the Share Purchase Agreement underlying the acquisition.

At the meeting on 25 May 2022, the Supervisory Board discussed with the Management Board the current business development and the status of the ongoing Post Merger Integration (PMI) project regarding SysEleven GmbH. Furthermore, new targets were decided for the respective gender percentages on the Supervisory Board and the Management Board. Finally, the public invitation to tender for a new auditor for the 2023 financial statements for secunet Security Networks AG and the Group was discussed.

During the meeting on 28 September 2022, the business and financial situation of the Company and the developments at the acquired SysEleven GmbH were discussed. The focus of the meeting was the presentation by the Management Board of secunet Group's strategy for the next three years.

In a meeting on 30 November 2022, the Supervisory Board addressed the current business situation and the medium-term strategic goals of the Company and discussed these with the Management Board. The Management Board presented the annual planning for 2023. The Supervisory Board also set the targets for variable Management Board remuneration for the 2023 financial year and expanded the skills profile for the Supervisory Board. The meeting also dealt with the adoption of the declaration on the German Corporate Governance Code in its revised version and a note on the statutory trading prohibitions for secunet shares.

In the telephone conference on 9 December 2022, the Supervisory Board approved the submitted planning for the 2023 financial year and set the target values for the short-term variable Management Board remuneration for the 2023 financial year.

Corporate Governance

The Supervisory Board and Management Board act in the knowledge that good corporate governance is an important basis for the success of the Company. Great importance is placed on implementation of the German Corporate Governance Code, and the application and further development of corporate governance standards within the Company are closely monitored by the Supervisory Board and Management Board.

In its meeting on 30 November 2022, the Supervisory Board comprehensively discussed and adopted the draft of the Declaration of Conformity 2022, in particular taking into account the new recommendations from the revised version of the Code dated 28 April 2022. Further information on the corporate governance of the Company and the Group can be found in the Corporate Governance report in this Annual Report. The current Declaration of Conformity is reproduced there and on the Company's website (www.secunet.com) under >> About Us >> Investors >> Corporate Governance.

The Supervisory Board has established concrete appointment targets for its own composition and has approved a skills profile for the full Supervisory Board. The skills profile of the Supervisory Board was revised in the meeting on 30 November 2022, in particular with regard to more extensive qualification requirements on sustainability / ESG. This is described in further detail in the Corporate Governance report.

The Supervisory Board strives to continually improve the effectiveness and efficiency of its activities. On an annual basis, the review of the Supervisory Board's efficiency is included as a separate item on the agenda for the meetings of the Supervisory Board. In the 2022 financial year, the efficiency review or self-assessment was conducted at the meeting on 23 March 2022.

The members of the Supervisory Board are responsible for the training and further development measures required for their tasks, such as those relating to changes in the legal framework and new technologies, and are appropriately supported in this by the Company. All Supervisory Board members attended a training session on the new ESG requirements on 30 November 2022.

The members of the Management Board and the Supervisory Board notify the Supervisory Board immediately of any conflicts of interest. The members of the Management Board and Supervisory Board were not notified of any conflicts of interest in the 2022 financial year.

In September 2022, the Supervisory Board made changes to the rules of procedure for the Audit Committee. The background to this was an adjustment of the number of committee meetings to reflect actual practice.

Committee work

The Audit Committee convened for three meetings in person during the year under review. All committee members participated in the meetings. The Audit Committee also dealt with the effectiveness of the internal control system, risk management system, internal audit and compliance.

The meeting on 23 March 2022 focused on the preliminary audit of the annual financial statement documents for the 2021 financial year, the status of the implementation of the new requirements by FISG and risk and opportunity management. At the meeting on 28 September 2022, the public invitation to tender for the 2023 audit, the development of key financial ratios and the amendment of the rules of procedure for the audit committee were discussed in particular. The focal points of the meeting on 29 November 2022 were the presentations by the auditing firms in the tender process for the 2023 audit and the subsequent discussion on the selection of a candidate for the recommendation for the election of the 2023 auditor. The Audit Committee has informed the Supervisory Board of its preference for BDO AG Wirtschaftsprüfungsgesellschaft as auditor for the 2023 financial year, stating its reasons. At the meeting, PwC gave its report on the 2022 audit engagement and the annual report of the Head of Internal Audit was presented and the 2023 annual audit planning was approved.

The Technology and Innovation Committee held three meetings in person in the reporting year. All committee members participated in the meetings. In all meetings, the committee members dealt with the operational development, the strategy and the new products of the secunet Group.

The meeting of 23 March 2022 focused on discussions around Post Quantum Cryptography and Workstation technology, the competitive situation of the company and in particular the acquisition process of SysEleven GmbH. In the meeting of 28 September 2022, the eHealth area and the cloud area acquired through SysEleven GmbH and the longer-term technology orientation and strategy were discussed in particular. At the meeting on 30 November 2022, the focus was on mobile security and the integration of SysEleven GmbH's cloud expertise into the company's long-term strategic orientation and its integration into the secunet Group.

Annual Financial Statements and Consolidated Financial Statements for 2022

The auditors, the Essen branch of PricewaterhouseCoopers GmbH, Frankfurt am Main, audited the Annual Financial Statements prepared by the Management Board in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) and the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union, for the 2022 financial year as well as the combined Management Report of the Group and the Company, including the accounting records, and issued an unqualified audit opinion in each case. The Supervisory Board awarded the audit mandate in accordance with the resolution passed by the Annual General Meeting on 25 May 2022.

With regard to the existing majority shareholding of Giesecke+Devrient GmbH, Munich, the auditors examined the report on relations with affiliated companies prepared by the Management Board for the 2022 financial year in accordance with Section 312 AktG and issued the following unqualified opinion: “Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that 1. the factual information contained in this report is correct, 2. the consideration provided by the Company in respect of the legal transactions mentioned in the report was not inappropriately high.”

The financial statement documents, the proposed appropriation of balance sheet profits, the report on relations with affiliated companies and the auditors’ reports were distributed to all members of the Supervisory Board without delay following their preparation. At the meeting of the Audit Committee, the above-mentioned financial statements, reports and the proposal for the appropriation of profits were explained by the Management Board and discussed in detail.

The audit by the Audit Committee also included the non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e HGB for secunet Security Networks AG and the Group. The auditors reported on the scope, the focal points and the main results of their audit and in particular on the most important audit matters and the audit procedures performed. No material weaknesses in the internal control system and the risk management system were reported. On the basis of these findings, the Audit Committee decided to recommend that the Supervisory Board approve the submitted financial statements and support the intended profit appropriation.

At the financial statements review meeting on 22 March 2023, the Chair of the Audit Committee first gave a detailed explanation of the committee’s recommendations. The submitted financial statements and reports, as well as the proposed profit appropriation, were then discussed and examined in detail by the Supervisory Board in the presence of the auditors, who gave a report on the main findings and focal points of their audit.

Based on the final results of the audit by the Audit Committee and the examination by the members of the Supervisory Board itself, no objections were raised regarding the Financial Statements, the combined Management Report for the Group and the Company, the report on relations with affiliated companies, including the final statement of the Management Board contained therein, or the auditors’ reports. The Supervisory Board therefore endorsed the findings of the audit of the financial statements and approved the financial statements of secunet Security Networks AG and the consolidated Group as compiled by the Management Board as at 31 December 2022; the Annual Financial Statements of secunet Security Networks AG were thus adopted on 22 March 2023.

The Supervisory Board reviewed the Management Board’s proposal for the appropriation of profits, which provides for a regular dividend of 2.86 euros per dividend-bearing share. It also took into account the Company’s liquidity and its financial and investment planning. The proposed appropriation of profits is in line with the Company’s interests and takes into account the interests of the shareholders. After having examined and weighed up all the arguments, the Supervisory Board approves the profit appropriation proposal.

Expression of thanks

secunet Security Networks AG achieved good results in the 2022 financial year under challenging circumstances. This is due to the outstanding performance of the Management Board and the workforce of the Company and the Group. On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all employees.

Essen, 22 March 2023

For the Supervisory Board

Dr Ralf Wintergerst

The secunet share

Stock market development

In 2022, the national and international stock markets recorded their worst performance in recent years. Russia's war against Ukraine, the aftermath of the coronavirus pandemic and a sharp rise in inflation partly resulting from these two influencing factors posed particular challenges to the global economy.

The leading German index DAX closed the year 2022 at 13,923 points. This corresponds to a decline of 12% on the year-end figure for 2021. The MDAX and TecDAX also recorded decreases of 28% and 25% respectively. The SDAX, on which the secunet share is listed, closed the year at 11,925 points – a decrease of 27%.

The secunet share

The secunet share started the year 2022 at a price of 417.50 euros. The secunet share had already reached its highest value for the year of 465.00 euros on 22 March 2022. The lowest value for 2022 was a share price of 163.80 euros recorded on 28 September 2022. On the last trading day of 2022, the secunet share was quoted at 196.40 euros. The share price was thus down by half compared to the previous year's reporting date (minus 53%).

The secunet share is listed in the Prime Standard of the Frankfurt Stock Exchange and traded on all German stock exchanges. The secunet share has been listed in the SDAX since September 2021. In the ranking of all listed companies in Germany, secunet ranked 162nd at the end of the year.

In 2022, an average of 4,694 secunet shares were traded daily via the Xetra electronic trading system (previous year: 4,878 shares). The average daily turnover on Xetra decreased to 1.4 million euros (previous year: 1.9 million euros) due to the decline in the share price.

Dividend and proposed dividend

secunet generally pursues a policy of continuous and appropriate dividend payments. The aim is to distribute 50% of the earnings after tax attributable to the shareholders of secunet Security Networks AG.

In accordance with the dividend policy, a regular dividend of 3.37 euros per dividend-bearing share was paid in 2022. Additionally, in view of the record results achieved in the 2021 financial year, a special dividend of 2.01 euros per dividend-bearing share was paid. The distribution thus amounted to a total of 34.8 million euros or 5.38 euros per dividend-bearing share. secunet thus paid a dividend for the ninth consecutive year.

In view of the results achieved in the 2022 financial year, the Management Board and Supervisory Board will propose to the Annual General Meeting to be held on 31 May 2023 to distribute 18.5 million euros to the shareholders by paying a dividend of 2.86 euros per dividend-bearing share. With a payout ratio of 50% of the net income for the year, this is in line with the company's dividend policy.

Annual General Meeting

secunet Security Networks AG held its Annual General Meeting on 25 May 2022. As in previous years, the AGM was held on the basis of the COVID-19 Act as a virtual Annual General Meeting without the physical presence of the shareholders.

A total of around 83% of the share capital with voting rights was represented at the Annual General Meeting (previous year: 87%). Approval of the agenda items, including the grant of discharge for the Management Board and the Supervisory Board, was more than 93% in each case. The resolution on profit appropriation was adopted with 99.9% of the votes.

Shareholder structure

The share capital of secunet Security Networks AG amounts to 6,500,000 euros and is subdivided into 6,500,000 no-par-value bearer shares. The number of shares outstanding remained unchanged, at 6,469,502 shares. Each share grants the holder one vote at the Annual General Meeting and, in the event of a distribution, an equivalent dividend entitlement. There are no share option programmes or convertible bonds that could dilute the shareholding.

Giesecke+Devrient GmbH, Munich, has held a direct stake in secunet AG since 2004. The shareholding amounted to 75.12% as at 31 December 2022. The free float as at 31 December 2022 was 24.41%. It was distributed among a regionally broadly diversified shareholder structure with an increasing share of international investors, primarily from the USA, UK and Scandinavia. A further 0.47% of shares (30,498 shares) are held by secunet AG itself.

Shareholder structure	
Giesecke+Devrient GmbH	75.12%
Treasury shares	0.47%
Free float	24.41%

Information according to voting-right notices available as at 31 December 2022

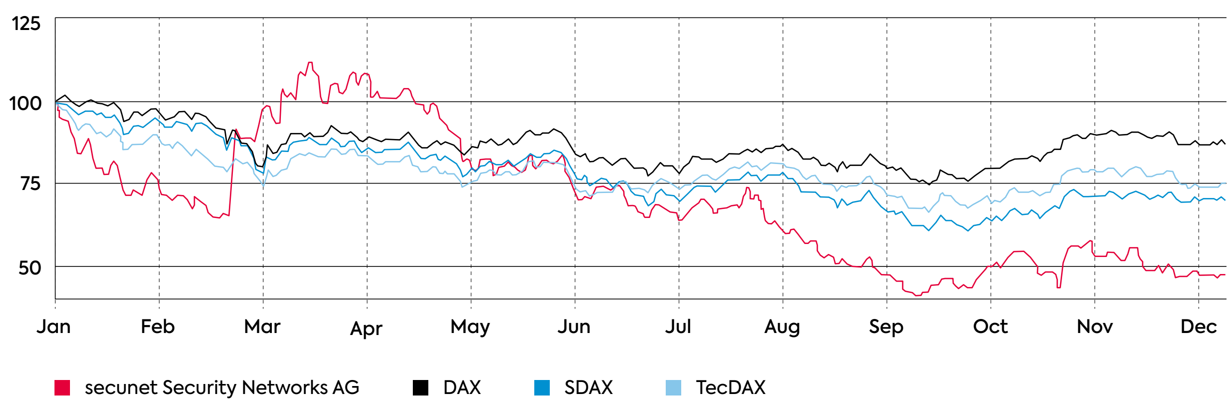
In 2022, we received no voting-right notice. In 2022, we did not receive any notifications from members of the Management Board and Supervisory Board or their relatives subject to reporting requirements regarding acquisition transactions of financial instruments of secunet AG (so-called managers' transactions).

Communication with the capital market

secunet attaches great importance to open and reliable communication with investors and other stakeholders and maintains a timely and transparent dialogue with them. In 2022, there were numerous contacts with existing and potential investors. secunet took the opportunity to present itself in one-on-one meetings and at roadshows and investor conferences. Additionally, on the occasion of the publication of the annual, half-year and quarterly results, telephone conferences with online streaming were organised in which the Management Board reported on past and future business development and answered questions from analysts and investors. All information relevant to the capital markets is published promptly in German and English and made available on the Company's website (www.secunet.com). This includes annual and quarterly results, press releases and ad hoc releases, as well as information about the Annual General Meeting and voting-right notices. The financial calendar with all relevant publication and event dates can also be found there.

Share price development from 1 January 2022 to 31 December 2022

Index, share price 1 January 2022 = 100



Key figures and trading data

		2022	2021
Price at start of year (Xetra)	in euros	417.50	248.0
Price at end of year (Xetra)	in euros	196.40	413.50
High for the year (Xetra)	in euros	465.0 (22 Mar 2022)	608.0 (09 Nov 2021)
Low for the year (Xetra)	in euros	163.80 (28 Sep 2022)	227.0 (12 Jan 2021)
Development over year	%	-53	67
Market capitalisation (31 Dec)	in billion euros	1.3	2.7
Ø turnover per trading day (Xetra)	No. of shares	4,694	4,878
Ø turnover per trading day (Xetra)	in euros	1,425,731	1,899,270

Master data and indices

ISIN / WKN	DE0007276503 / 727650
Share capital	6,500,000 euros
Number of shares in circulation	6,469,502
Class of share	Ordinary bearer shares with no par value
Start of listing	09 November 1999
Stock exchange segment	Prime Standard Frankfurt Stock Exchange
Index membership	SDAX
Designated Sponsor	ODDO BHF Corporates & Markets AG, Frankfurt am Main, Germany
Paying agent	Commerzbank AG, Frankfurt am Main, Germany

Corporate Governance Statement

An effective and transparent organisation, as well as responsible and reliable corporate governance is very important at secunet Security Networks AG. The Company's Management Board and Supervisory Board firmly believe that good corporate governance is key to the long-term success of the Company on the market.

The term Corporate Governance describes the regulatory framework for the management and supervision of companies. In a general sense, this framework must be designed in such a way that the Management Board and Supervisory Board work to ensure that the company continues to exist and creates value sustainably. Recommendations and proposals for how this requirement can be implemented in the management and supervision of companies are summarised in the German Corporate Governance Code (Deutscher Corporate Governance Kodex). The Code serves the purpose of increasing trust in companies listed on the German stock exchange.

The Management Board and Supervisory Board therefore regularly check the implementation of the GCGC at secunet Security Networks AG. In the 2022 financial year, the Management Board and Supervisory Board of the Company once again carefully deliberated on the recommendations and proposals of the GCGC, in the version of 16 December 2019 and in the revised version of 28 April 2022, which entered into force with its publication in the Federal Gazette on 27 June 2022. The Declaration of Conformity set out below regarding the GCGC was agreed on the basis of these deliberations. This declaration is permanently available on the Company's website (www.secunet.com) and will be updated immediately if required.

secunet Security Networks AG issues the following Corporate Governance Statement in accordance with Sections 289f HGB and 315d HGB:

Management and supervisory structure

secunet Security Networks AG is subject to German stock corporation law and its own Articles of Association. As a German public limited company, it has a dual management and supervisory structure consisting of a Management Board and a Supervisory Board.

The Management Board and Supervisory Board work together closely and on the basis of mutual trust in their management and supervision of the Company. The Annual General Meeting is responsible for fundamental decisions in the Company.

Supervisory Board

In accordance with Article 9 (1) of the Articles of Association, the Supervisory Board comprises six members, four of whom are elected by the Annual General Meeting and two by the employees in accordance with the German One-Third Participation Act. In accordance with the recommendations of the GCGC, the shareholder representatives were elected by a single ballot. The current members of the Supervisory Board are Dr Ralf Wintergerst (Chairman of the Supervisory Board), Dr Peter Zattler (Vice Chairman of the Supervisory Board), Dr Elmar Legge, Jörg Marx (employee representative), Gesa-Maria Rustemeyer (employee representative) and Professor Dr Günter Schäfer. Further information about the members of the Supervisory Board, including their term of office, can be found on the Company's website (www.secunet.com) under >> About us >> The company.

The Supervisory Board monitors and advises the Management Board with regard to the management of the Company. At regular intervals, the Supervisory Board discusses business performance and planning, as well as the strategy and its implementation. It discusses the half-year financial reports and quarterly updates with the Management Board before their publication, and approves the Annual Financial Statements of secunet Security Networks AG and the Group, taking into consideration the audit reports prepared by the auditors, the preliminary audit conducted by the Audit Committee, and its own examination. The Audit Committee monitors the accounting process, the effectiveness of the internal control, risk management and internal audit, as well as the auditing of the financial statements.

The tasks and responsibilities of the Supervisory Board also include appointing members to the Management Board. The Supervisory Board decides on the remuneration system for members of the Management Board and sets the specific remuneration in accordance with the system. It sets the targets for the variable remuneration components and regularly reviews the appropriateness of the Management Board remuneration. Management Board decisions of fundamental importance, such as major acquisitions, disposals and financial measures, require the consent of the Supervisory Board. An extraordinary meeting of the Supervisory Board is convened as and when necessary should significant events arise. The Supervisory Board has drawn up rules of procedure for its work, which are published on the Company's website (www.secunet.com).

The Chair of the Supervisory Board is elected by the Supervisory Board from among its members. The Chair coordinates the work carried out within the Supervisory Board, chairs its meetings and represents its interests externally. The Supervisory Board strives to continually improve the effectiveness and efficiency of its activities. The efficiency review or self-assessment of the Supervisory Board is carried out at the start of each financial year. For the purposes of self-assessment, each member of the Supervisory Board answers a structured questionnaire on the individual aspects of efficiency. The results, including any possible proposals for improvement, are discussed at the first meeting of the financial year, at which the annual financial statements are adopted.

The knowledge, skills and professional experience required to fulfil the remit are taken into account when drawing up the nominations for election to the Supervisory Board. The Supervisory Board of secunet Security Networks AG has also specified concrete targets for its composition, with due consideration given to diversity and relevant expertise. At least one seat on the Supervisory Board should be occupied by a woman in the future. One or more Supervisory Board members should also have many years of special experience abroad, acquired as a result of working abroad or due to a foreign country of origin. Furthermore, an age limit of 70 years is planned for members of the Supervisory Board. The Supervisory Board also revised its skills profile for the entire body this financial year, with the particular addition of expertise in sustainability issues. The purpose of the skills profile is to ensure that the members of the Supervisory Board possess all the knowledge and experience considered essential in light of the activities of secunet Group.

Nominations by the Supervisory Board to the Annual General Meeting shall take into account the aforementioned targets for the composition of the Supervisory Board and, at the same time, endeavour to meet the requirements of the skills profile for the board as a whole. In the reporting period, the Supervisory Board did not submit any proposals to the Annual General Meeting for the election of Supervisory Board members (shareholder representatives). The composition of the Supervisory Board complied with the specifications of the skills profile both before and after the Supervisory Board elections in 2019. The Supervisory Board members possessed and possess the professional and personal qualifications deemed necessary. They were and are all familiar with the sector in which the Company is active and had and have the essential knowledge, skills and experience for the Company.

The qualification matrix below shows the implementation status of the objectives of the Supervisory Board's skills profile.

	Internationality and capital market	Research & development/technology	Production/marketing/sales/digitalization	Sectors/markets	Accounting	Controlling/risk management	Governance/compliance	Sustainability
Dr Wintergerst	X	X	X	X			X	X
Dr Zattler	X			X	X	X	X	X
Dr Legge	X			X	X	X	X	X
Professor Schäfer		X	X	X				X
Rustemeyer				X	X		X	X
Marx		X	X	X				X

Furthermore, in accordance with Section C.6 of the GCGC, the Supervisory Board should include what it considers to be an appropriate number of members on the shareholder side who are independent of the Company, its Management Board and the controlling shareholder. Taking into account particularly the ownership structure and the size of the board as a whole, the Supervisory Board has come to the conclusion that one independent shareholder representative as per the above definition is appropriate and that Supervisory Board member Dr Elmar Legge meets these requirements. Dr Legge thus also complies with the recommendation in Section C.9 of the GCGC. This states that in the case of a controlling shareholder (this criterion being fulfilled here by the majority holding of Giesecke+Devrient GmbH, Munich, in secunet Security Networks AG) and a Supervisory Board size of six or fewer members, at least one shareholder representative should be independent of the controlling shareholder.

Furthermore, according to Section C.7 of the GCGC, more than half of the shareholder representatives should be independent of the Company and the Management Board. A Supervisory Board member is deemed to be independent of the Company and its Management Board if he or she has no personal or business relationship with the Company or its Management Board that could constitute a material and not merely temporary conflict of interest. In accordance with Section C.7 of the GCGC, the shareholder side shall, when assessing the independence of its Supervisory Board members from the Management Board and the Company, in particular take into account whether the Supervisory Board member or a close family member of the Supervisory Board member (i) was a member of the Management Board of the Company in the two years prior to the appointment, (ii) currently has or has had a material business relationship with the Company or a company dependent on it (for example, as a customer, supplier, lender or consultant), either directly or as a shareholder or in a responsible function of a company outside the Group, in the year leading up to the appointment, (iii) is a close family member of a Management Board member, or (iv) has been a member of the Supervisory Board for more than twelve years.

If one or more of the aforementioned indicators applies and the Supervisory Board member in question is nevertheless considered to be independent, this shall be justified in the Corporate Governance Statement pursuant to Section C.8 of the GCGC. According to the Supervisory Board's assessment, more than half of the shareholder representatives are independent of the Company and the Management Board pursuant to the recommendation under Section C.7 of the GCGC, namely Dr Ralf Wintergerst, Dr Peter Zattler and Dr Elmar Legge. In this assessment, the Supervisory Board also took into consideration the fact that Dr Zattler has been a member of the Supervisory Board since 2004 and Dr Legge since 1999. Both therefore fulfil one of the aforementioned indicators with a length of service of more than twelve years, so that – in accordance with the recommendation under Section C.8 of the GCGC – reasons are to be given in the Corporate Governance Statement as to why both Supervisory Board members are nevertheless considered independent. Dr Zattler and Dr Legge perform their duties with great diligence and consistently in line with the corporate interests of secunet Security Networks AG. With the exception of their respective length of service, Dr Zattler and Dr Legge have no other personal or business relationships with the Company or its Management Board, nor are there any other indications that could be construed as constituting a material and not merely temporary conflict of interest. In the opinion of the Supervisory Board, it would therefore be wrong to conclude a lack of independence from the Company and the Management Board based solely on the length of service.

The Supervisory Board has established an Audit Committee and a Technology and Innovation Committee. Each committee consists of two shareholder representatives and one employee representative. The chairs of the committees report regularly to the Supervisory Board on their respective activities.

As at 31 December 2022, the Audit Committee comprised the following members: Dr Elmar Legge (Chairman), Dr Peter Zattler and Ms Gesa-Maria Rustemeyer. The Chairman of the Audit Committee, Dr Legge, has special knowledge and experience in the application of accounting principles and internal control and risk management systems due to his many years of experience as a member of the Management Board of the RWTÜV Group of Companies and is also to be considered independent. Another member of the audit committee, Dr Zattler, also has expertise in the field of accounting and auditing, including sustainability reporting and auditing, due to his many years of service as CFO of

Giesecke+Devrient GmbH. The Audit Committee reviews the accounting and monitors the accounting process, deals with the effectiveness of the internal control system, the risk management system, the internal audit system and compliance. On the basis of the auditors' report, the Audit Committee recommends approval of the annual and consolidated financial statements and submits proposals to the Supervisory Board concerning the appointment of the auditors. It issues the audit mandate for the annual and consolidated financial statements and for the audit review of interim financial reports to the auditors elected by the Annual General Meeting, determines the focal points of the audit together with the auditors and reviews the quality of the audit and the independence of the auditors. The Audit Committee decides on the admissibility and scope of non-audit services and issues any audit mandate required for the non-financial statement.

As at 31 December 2022, the Technology and Innovation Committee comprised the following members: Dr Ralf Wintergerst (Chairman), Professor Dr Günther Schäfer and Mr Jörg Marx. The Technology and Innovation Committee deals with business strategy, new products and key technology issues.

The Supervisory Board has not formed a Nomination Committee. In the opinion of the Supervisory Board, this is not necessary, as the Supervisory Board consists of only six members and the establishment of a separate Nomination Committee would not increase efficiency with regard to the nomination of suitable candidates for the election of Supervisory Board members.

Management Board

The Management Board consists of four members, namely the Chairman of the Management Board, Mr Axel Deininger, Mr Torsten Henn, Dr Kai Martius and Mr Thomas Pleines.

The Management Board, as the body responsible for managing the Company, conducts the Company's business under its own responsibility and in the Company's interests. Its aim is to increase the enterprise value on a sustainable basis. In particular, it determines the principles of the Company's policy and is also responsible for developing the Company's strategy, for planning and setting the Company's budget, for allocating resources, and for controlling and managing the Company's corporate and business divisions. Specific measures described in the Management Board's rules of procedure require the approval of the Supervisory Board. The Management Board is responsible for preparing the Company's quarterly updates and half-year financial reports, the Annual Financial Statements of secunet Security Networks AG, and the Consolidated Financial Statements.

The Management Board works closely with the Supervisory Board. It informs the Supervisory Board regularly, comprehensively and without delay – by means of written and verbal reports – of all issues important to the Company as a whole with regard to strategy and strategy implementation, planning, business performance, the financial and earnings situation, and entrepreneurial risks. The Supervisory Board is involved without delay in all decisions fundamental to the Company.

Targets for the appointment of women

At its meeting on 4 May 2017, the Supervisory Board set a target for the proportion of women on the Board of 17 percent for the implementation period from 1 July 2017 to 30 June 2022. The Supervisory Board has met this target with Ms Gesa-Maria Rustemeyer. At its meeting on 25 May 2022, the Supervisory Board established a target of 33 percent for the proportion of women on the Board, relating to the implementation period to 30 June 2027, which corresponds to the goal of electing two female members to the Supervisory Board.

For the proportion of women on the Management Board, the Supervisory Board had set a target of no women in the meeting of 25 March 2020. The background to this was the continuing challenging search for suitable female candidates in the market environment and in the business areas of secunet Security Networks AG. There are currently no women on the board, which is in line with this target. At its meeting on 25 May 2022, the Supervisory Board again addressed the target for the proportion of women on the Management Board of the Company. The Supervisory Board has decided on a target figure of one woman for the Management Board for the implementation period until 26 May 2027.

For the next two management levels below the Management Board, the latter has set the following targets for the participation of women for the period from 1 July 2017 to 30 June 2022: For the first level zero percent and for the second level eleven percent. As at 30 June 2022, the percentage of women was 23.5% at the first management level and 9.8% at the second management level. The target for the first management level below the Management Board was clearly exceeded as at the reporting date of 30 June 2022, while the target for the second level was slightly undershot. It remains challenging for the Company to attract more women into management positions. In the personnel structure of secunet Group, the relative proportion of women in the business area of IT Security is lower than in other sectors. Furthermore, the internal division of management levels results in a higher achieved target for the participation of women in the first management level.

In its meeting on 15 June 2022, the Management Board set the following targets for the two management levels for the period until 30 June 2027: For the first management level 25 percent and for the second management level 15 percent.

In view of the size of the Company, the limited number of management positions and the associated low level of fluctuation, the Management Board is of the opinion that more ambitious targets would currently not be realistic. However, the Management Board reiterates its intention to move towards a higher proportion of management positions being held by women to the greatest extent possible.

Diversity and long-term succession planning for the Management Board

At secunet Security Networks AG, diversity is understood as a broad approach that covers not only age and gender, but particularly also professional qualifications and experience as well as cultural background. A diverse composition of the Management Board serves the goal of ensuring the sustainable success of secunet Security Networks AG by taking into account diverse, complementary characteristics. Furthermore, the Supervisory Board has decided on an age limit of 67 years for members of the Management Board. In the opinion of the Supervisory Board, the current composition of the Management Board implements to the greatest extent possible the diversity concept described above; in particular, the members of the Management Board cover a broad range of knowledge and experience as well as educational backgrounds that are considered essential in view of the Company's business activities. Only the goal of electing a woman to the Management Board has not yet been achieved. For the Supervisory Board, reference is made to the skills profile already presented.

The Supervisory Board works together with the Management Board to ensure the long-term succession planning for the Management Board. In addition to the requirements of the German Stock Corporation Act and the GCGC, the targets set by the Supervisory Board for the proportion of women on the Management Board are taken into account as well as the above diversity concept. Taking these criteria and specific qualification requirements into account, the Supervisory Board develops a requirement profile on the basis of which a selection of possible candidates is made. In a further step, structured discussions are held with these candidates, on the basis of which the Supervisory Board makes its decision, if necessary with the assistance of external advisers.

Corporate governance guidelines

The Articles of Association of secunet Security Networks AG form the basis of our Company. The Company's Articles of Association, together with the current and previous Declarations of Conformity and further corporate governance documents can be found online at www.secunet.com under >> About us >> Investors >> Corporate Governance.

The Management Board has introduced a Code of Conduct for employees, suppliers and business partners of secunet Group, which is available on the Internet at www.secunet.com in the section >> About us >> The company>> Corporate Compliance. The Codes of Conduct summarise the business principles, ethos and values of secunet Group and are a crucial part of how secunet Group sees itself, and of the expectations that it strives to meet. The Codes of Conduct set down standards of conduct for dealing with all the economic, legal and moral challenges that we face in our day-to-day business activities, and are intended to serve as a benchmark and guide when working together within the Group, with customers, suppliers and other business partners, as well as for our conduct towards our competitors. They also govern our conduct when trading in secunet shares, their derivatives and other financial instruments. The Company has set up a compliance office for questions arising in connection with the Codes of Conduct.

With a Group-wide compliance management system, the Company bundles measures to comply with legal regulations and self-imposed standards of conduct in the areas of antitrust law, prevention of corruption and money laundering, conflicts of interest and fraud / embezzlement. The compliance management system aims to prevent, detect and sanction – systematically and permanently – violations of rules in the above-mentioned areas within the Company. The Company regularly identifies conduct-relatd compliance risks and consistently documents and manages the risks. The Company has an electronic whistleblowing system that gives employees the opportunity to provide information about legal violations in the Company in a protected environment. This option is also available to third parties.

Transparent corporate governance and corporate values

Transparency in corporate governance is very important to the Management Board and Supervisory Board of secunet Security Networks AG. Shareholders, all participants in the capital market, financial analysts, shareholder associations and the media are provided with comprehensive, regular and up-to-date information regarding the Company's position and key changes to the Company's business.

secunet Security Networks AG reports to its shareholders four times a year on business performance and on the financial and earnings situation, and makes all reports and information permanently available to shareholders on the Company's website (www.secunet.com). The dates for regular financial reporting are listed in the financial calendar. If any circumstances arise at secunet Security Networks AG that might significantly influence the stock market price of the Company, these are disclosed in ad hoc announcements in accordance with the legal requirements. The financial calendar and ad hoc announcements are available to view on the website of secunet Security Networks AG (www.secunet.com) under >> About us >> Investors >> Financial News.

Shareholders and Annual General Meeting

The shareholders of secunet Security Networks AG may exercise their rights, including voting rights, at the Annual General Meeting. Shareholders can exercise their voting rights at the Annual General Meeting themselves or choose an agent or Company proxy bound by their instructions to exercise the voting rights. The Annual General Meeting takes place in the first eight months of the financial year. The Chairman of the Supervisory Board normally chairs the Annual General Meeting. Ahead of the Annual General Meeting, shareholders receive comprehensive information about the past financial year and about the individual items on the agenda of the upcoming meeting by way of the Annual Report and invitation to the meeting. All relevant documents and information on the Annual General Meeting, together with the Annual Report, are also available on our website (www.secunet.com).

In accordance with the provisions of law, the auditors are appointed by the Annual General Meeting. At the Annual General Meeting on 25 May 2022, the Essen branch of PricewaterhouseCoopers GmbH, registered office in Frankfurt am Main, was appointed as auditors for secunet Security Networks AG and Group auditors for secunet Group for the 2022 financial year and selected to perform an audit review of the Condensed Financial Statements and the Interim Management Report of secunet Security Networks AG and secunet Group as at 30 June 2022.

Shareholders are notified of important dates by means of a financial calendar published in the Annual Report, in the quarterly updates and on the Company's website (www.secunet.com).

Further detailed information about secunet Security Networks AG is available on our website (www.secunet.com).

Management Board and Supervisory Board remuneration

The applicable remuneration system for the members of the Management Board pursuant to Section 87a (1) and (2), sentence 1 of the German Stock Corporation Act (AktG), which was approved by the Annual General Meeting on 12 May 2021, as well as the resolution adopted by the Annual General Meeting on 12 May 2021 pursuant to Section 113 (3) of the German Stock Corporation Act (AktG) on the remuneration of the Supervisory Board is publicly available at www.secunet.com under >> About us >> Investors >> Corporate Governance. The remuneration report for the 2022 financial year with the auditor's report can also be found in the aforementioned section.

Disclosures on share-based incentive schemes

In the reporting year, a tranche of virtual shares (performance shares) was allocated to each Management Board member as part of the long-term variable Management Board remuneration (Performance Share Plan). The main performance categories and performance targets as well as the achievement of targets in the reporting year are presented in the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG) for the 2022 financial year.

There are no stock option programmes or similar securities-based incentive systems for employees of the Company.

Notification of transactions under Article 19 of the European Market Abuse Regulation (managers' transactions)

Article 19 of the European Market Abuse Regulation (EU) No. 596 / 2014 requires members of corporate bodies (Supervisory Board / Management Board) and certain executives, as well as closely related parties, to disclose transactions in secunet shares or related financial instruments where the sum total of such transactions reaches or exceeds 20,000 euros within a single calendar year. Relevant disclosures are also published on the Company's website (www.secunet.com) under >> About us >> Investors >> Corporate Governance. No managers' transactions were reported in the 2022 financial year.

Accounting and auditing of the financial statements

secunet Security Networks AG prepares its Consolidated Financial Statements and Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The Annual Financial Statements of secunet Security Networks AG are prepared in accordance with German commercial law (HGB) and the German Stock Corporation Act. The Annual and Consolidated Financial Statements are compiled by the Management Board and audited by the auditors, the Supervisory Board and the Audit Committee. Quarterly updates and the half-year financial report are discussed by the Management Board and Supervisory Board prior to their publication.

secunet Security Networks AG's Consolidated and Annual Financial Statements have been audited by the Essen branch of PricewaterhouseCoopers GmbH, registered office in Frankfurt am Main, the auditors appointed by the 2022 Annual General Meeting. The audits were performed in accordance with Section 317 HGB and with due consideration for the generally accepted standards for the audit of financial statements in Germany promulgated by the Institute of Public Auditors in Germany (IDW). The undersigned auditors for the Annual Financial Statements and Consolidated Financial Statements of secunet Security Networks AG are Mr Philip Meyer zu Spradow and Mr Michael Herting.

It was also contractually agreed with the auditors that they inform the Supervisory Board and Audit Committee without delay of any potential grounds for exclusion or bias and of any findings or occurrences of significance to the Supervisory Board's remit that came to light during the auditing of the financial statements.

The Condensed Consolidated Interim Financial Statements and the Interim Group Management Report as at 30 June 2022 were subjected to an audit review by PricewaterhouseCoopers GmbH.

Declaration of Conformity under Section 161 of the German Stock Corporation Act dated 30 November 2022

The management and supervisory boards of companies listed on the German stock exchange are legally obliged, in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), to annually declare whether the official recommendations of the Government Commission on the German Corporate Governance Code applicable at the time of making the declaration have been fulfilled and will be fulfilled. The Company is furthermore required to disclose which recommendations of the Code have not been applied or will not be applied and to explain the reasons for this. This Declaration of Conformity is printed in full below, with explanations. The Declaration of Conformity can also be found on secunet Security Networks AG's website (www.secunet.com) under >> About us >> Investors >> Corporate Governance. The Declarations of Conformity issued in the last five years are permanently available on the website.

The Management Board and Supervisory Board of secunet Security Networks AG hereby submit the following Declaration of Conformity regarding the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG):

1. Declaration of Conformity with the GCGC 2020
Since submission of the last Declaration of Conformity in November 2021, secunet Security Networks AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, as amended in the version in force on 16 December 2019 (DCGK 2020) and published by the German Ministry of Justice in the official part of the Federal Gazette on 20 March 2020, with the following exceptions:

Committees of the Supervisory Board

Recommendation D.5: The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting.

Explanation: The Supervisory Board of secunet Security Networks AG has no Nomination Committee. In the opinion of the Supervisory Board, this is not in fact necessary, as the Supervisory Board comprises only six members. Due to the number of Supervisory Board members and the composition of the Supervisory Board, setting up a separate Nomination Committee would not increase the efficiency of the work performed by the Supervisory Board with regard to the nomination of suitable candidates for the Supervisory Board's proposals to the Annual General Meeting for the election of Supervisory Board members. An additional Nomination Committee has therefore not been established.

Determination of the amount of the variable remuneration components (Management Board remuneration)

Recommendation G.8: Subsequent changes to the target values or comparison parameters shall be excluded

Explanation: The remuneration system for members of the Management Board of secunet Security Networks AG provides for the possibility of the Supervisory Board deviating temporarily from the stipulations of the remuneration system, even after the relevant performance criteria and targets have been set, if this is necessary in the interests of secunet Security Networks AG, particularly in the event of far-reaching changes to the general economic conditions. Possible deviations may include, among others, the performance criteria of the variable remuneration elements, the total maximum remuneration as well as the relation between fixed and variable remuneration components. This provision takes into account the fact that secunet Security Networks AG operates in a volatile and innovative market environment and that a change in the corporate strategy – and thus the performance criteria for Management Board members – must also, in the interests of the sustainable development of the Company, be possible within an assessment period for the variable remuneration components. Furthermore, the remuneration system is designed to provide an incentive for Management Board members even in the event of profound changes in the general economic conditions. The Supervisory Board is therefore of the opinion that, contrary to the recommendation in G.8, this flexibility is appropriate with regard to the targets and comparison parameters of Management Board remuneration.

Remuneration of committee members

Recommendation G.17: Remuneration for Supervisory Board membership shall take appropriate account of the larger time commitment [...] of the Chair [...] of committees.

Explanation: The members of the Supervisory Board committees of secunet Security Networks AG receive remuneration for their work on the committees that appropriately takes into account the larger time commitment incurred in the course of their work. The chairs of the committees formed by the Supervisory Board do not receive any separate remuneration beyond this. secunet Security Networks AG does not expect the role of committee chair to involve any significant additional work, particularly as the size of the committees is manageable with three members in each case. Against this background, secunet Security Networks AG is of the opinion that it is not necessary to grant additional remuneration to the committee chairs in order to ensure appropriate remuneration for their work as chairs of the Supervisory Board committees.

2. Declaration of Conformity with the GCGC 2022

The Government Commission on the German Corporate Governance Code presented a new version of the Code on 28 April 2022, which came into force with its publication in the Federal Gazette on 27 June 2022 (GCGC 2022). Since 27 June 2022, secunet Security Networks AG has complied with the new recommendations of GCGC 2022 with the following exceptions and will comply with the new recommendations in future with the exceptions stated below:

Management and supervision

Recommendation A.1: The board should systematically identify and assess the risks and opportunities for the Company associated with social and environmental factors, as well as the ecological and social impacts of the Company's activities.

Explanation: The Company's risk management system does not currently take into account all the risks and opportunities for the Company associated with social and environmental factors, as well as the ecological and social impacts of the Company's activities. The Management Board and the Risk Management Department are currently still in the process of expanding the risk management system to include social and environmental opportunities and risks. The recommendation is expected to be complied with during the 2023 financial year.

Composition of the Supervisory Board

Recommendation C.1: The skills profile of the Supervisory Board shall also include expertise on sustainability issues of importance to the Company.

Explanation: Recommendation C.1 sentence 3 GCGC 2022, according to which the skills profile of the Supervisory Board should also include expertise on sustainability issues of importance to the Company, has not yet been complied with, as the Supervisory Board has not yet had the opportunity to adjust the skills profile since GCGC 2022 came into force. A revised skills profile of the Supervisory Board, supplemented by expertise in sustainability issues, was adopted at the meeting on 30 November 2022. This recommendation will thus be complied with in the future.

secunet Security Networks AG

Essen, November 30, 2022

For the Management Board	For the Supervisory Board
Axel Deininger	Dr Ralf Wintergerst

2. Management Report

Combined Management Report on the position of the Company and the Group for the 2022 financial year

Principles of the Group

This Management Report combines the Management Report of secunet Security Networks AG (hereinafter "secunet AG") and the Management Report of secunet Group (hereinafter "secunet") as the risks and opportunities of the parent company, the expected development and main research and development activities are inextricably linked to the Group, making secunet AG's position and secunet Group's position consistent.

Business model and Group structure

Business model

secunet is a German provider of high-quality cybersecurity solutions and IT security partner of the Federal Republic of Germany. secunet offers public sector clients and private sector companies a comprehensive portfolio of products and consulting services for the protection of data, infrastructures and digital identities as well as for information transmission, storage and processing. This includes, above all, network components with encryption technologies that are approved up to the highest security level by the Federal Office for Information Security (BSI).

secunet covers the entire value chain from analysis and design to development, integration, operation, maintenance and support of the solutions. The portfolio is generally geared towards large-scale and customer-specific infrastructures and focuses on areas in which there are special requirements on IT security – such as the cloud, the Internet of Things, eGovernment, eHealth and biometrics.

Legal structure of the Group

The parent company of secunet Group is secunet Security Networks AG, based in Essen. It assumes central management and financing functions for the Group companies. In addition to this, secunet AG comprises central administrative departments that support the operating units in their day-to-day business operations (for example, Purchasing, Internal IT, Warehouse / Logistics, Finance and Marketing / Communications and Product Management).

The Group companies include the German subsidiaries secunet International GmbH & Co. KG (based in Essen), secunet International Management GmbH (Essen), secustack GmbH (Dresden), stashcat GmbH (Hanover) and SysEleven GmbH (Berlin). The Group companies also include the non-operational secunet Inc. (Texas, USA) and finally safe GmbH (Essen).

secunet International GmbH & Co. KG and secunet International Management GmbH

International marketing activities for the SINA product family are bundled in secunet International GmbH & Co. KG. As the general partner of secunet International GmbH & Co. KG, secunet International Management GmbH is responsible for the management of secunet International GmbH & Co. KG.

secustack GmbH

secustack GmbH offers a security-hardened and transparent solution for public, private and hybrid cloud applications with its cloud operating system SecuStack. secunet AG holds 51% of secustack GmbH's (Dresden) shares. The remaining 49% of the shares are held by CLOUD & HEAT Technologies GmbH (Dresden).

SysEleven GmbH

In 2022, secunet AG acquired all shares in SysEleven GmbH, which is based in Berlin. The purchase agreement for the acquisition of the cloud specialist was signed on 17 May 2022. SysEleven GmbH is a German provider of cloud infrastructure, cloud services, managed services and managed Kubernetes. The company has its own open source-based cloud infrastructure with data centre locations in Germany certified to ISO 27001 (Infrastructure as a Service) and provides MetaKube, a platform for the efficient management and optimisation of computing, storage and network resources based on Kubernetes (managed Kubernetes). The transaction was financed from the company's own funds. The date of initial consolidation was 31 May 2022. SysEleven GmbH is allocated to the Public Sector division in the segment reporting.

stashcat GmbH

The Business Messenger offered by stashcat GmbH enables messaging that is secure as well as data protection-compliant and GDPR-compliant and includes additional security-optimised collaboration and video conferencing functions.

Majority shareholder Giesecke+Devrient GmbH

Giesecke+Devrient GmbH, headquartered in Munich, is the majority shareholder with a direct holding of 75.12%, and is the parent company of secunet AG. As a strategic holding company, the owner-managed Giesecke+Devrient GmbH manages its affiliated companies, including secunet AG. The group of companies is internationally oriented and active in the field of banknote and securities printing as well as the development and production of security paper and banknote processing systems. In addition, the group of companies develops and manufactures magnetic strip and chip cards, predominantly for the telecommunications industry, banks and the healthcare sector.

Divisions and sales markets

secunet has a market-oriented organisational structure: two divisions – Public Sector and Business Sector – are respectively geared towards the needs of public clients and international organisations on the one hand, and to the target group of private companies on the other. In its financial reporting, secunet Group reported on the operational business development in addition to the overall assessment of the Group on the basis of these divisions. Within the divisions, the organisation has a process-oriented design and aims to optimise operations for the relevant markets and customers.

Public Sector

The Public Sector division includes business with the SINA product family. SINA is a holistic security system that offers solutions for the highly secure, cryptographic transmission, storage and processing of data and information up to the highest security level. SINA comprises an ever-growing family of modular components – such as clients, gateways, servers, telephones and software and management tools. Furthermore, the division covers the activities in the areas of biometrics, automated border control and digital identities. In addition to this, there are the businesses of secustack GmbH, stashcat GmbH and SysEleven GmbH, as well as a wide range of consulting services. The target markets for the Public Sector division are public clients. These include national and international governments, ministries and public authorities as well as quasi-governmental organisations and defence organisations.

Business Sector

The Business Sector division addresses two markets in the private sector: healthcare and industry. The range of solutions in the healthcare market essentially consists of the secunet konnektor. The secunet konnektor securely connects medical facilities (for example medical practices, pharmacies and hospitals) to the telematics infrastructure (TI) and forms the basis for further specialist digital applications in the healthcare sector. The portfolio for industry includes the end-to-end solution secunet edge. The solution provides manufacturing companies and operators of critical infrastructures (CI) – organisations or facilities of critical importance to the state and society – with a security-hardened and industrial-grade platform and reliable application solutions for security in edge computing, Industry 4.0 and the Internet of Things (IoT). In addition to these solutions, the Business Sector division includes consulting services ranging from security analyses (so-called penetration tests) and security consulting (e.g. for security policies and their implementation) to support with certification processes.

In both divisions, the geographical focus of sales is primarily on Germany. secunet's sales activities abroad are focused on the countries of the European Union, EU organisations as well as defence and space organisations (including organisations such as NATO) and the Middle East.

Corporate management

Internal management of secunet Group by the secunet AG Management Board is based on key financial performance indicators, the most important being sales revenue and earnings before interest and taxes (EBIT). EBIT stands for net income for the period before interest income, interest expenses and income taxes. It serves to present the Group's operating result without the influence of effects from internationally inconsistent taxation systems and different financing activities. To control and monitor the development of the individual subsidiaries and reporting segments as well as the Group as a whole, the Management Board analyses, among other things, their sales revenue, gross profit, operating expenses and EBIT on a monthly basis and compares the actual figures with the planned values. In regular meetings, the Management Board liaises with senior executives who have operational responsibility to discuss the business situation and any distribution, product management and project management measures that may be required. secunet AG's Management Board is collectively and directly responsible for the company's profitable corporate growth. Consequently, a remuneration component for the members of the Management Board is linked to the achievement of targets for the financial performance indicators sales revenue and EBIT.

In addition, the Group is managed on the basis of non-financial key performance indicators, which are also relevant to the remuneration of the Management Board members. The non-financial indicators comprise three performance categories, namely (i) a capital market target, generally based on the relative total shareholder return (TSR) compared to a peer group, (ii) at least one strategic objective – in the financial year 2022, this was a sales revenue increase in the Business Sector division and an increase in international business volume as well as (iii) sustainability targets or environmental, social, governance (ESG) targets. Regarding sustainability or ESG targets, the Supervisory Board usually defines up to three different ones each year. In the 2022 financial year, these were increasing employee satisfaction, raising customer satisfaction with the implementation of a Net Promoter Score survey, and reducing the CO_2 value measured in tonnes per employee. In regular meetings, the Management Board liaises with respective senior executives about achievement of the targets and any measures that may be required.

The financial and non-financial control parameters serve to focus on both short-term and long-term success, promote sustainable development of the Company and guide the ambitious strategic orientation while taking into account employee interests, compliance structures, and environmental and social issues.

Research and development activities

The focus of secunet's research and development activities is on hardware and software solutions, applications or architectures in areas with particularly high requirements on IT security – such as cloud computing, Internet of Things, eGovernment, eHealth and biometrics. The objective is continuous development of the range of solutions, taking into consideration customer requirements as well as business management issues.

Strategically, secunet bases its innovation efforts on three pillars:

» Promoting the culture of innovation by incentivising new developments as well as through regular and intensive internal technical exchange and by building an infrastructure for knowledge management;

» Cooperation and partnerships with customers and suppliers as well as universities and associations to achieve synergies in research and development;

» Organisational bundling of competences in product management that support developments from innovation management through to the creation of market-ready products.

Additionally, employees of secunet Group are members of many national and international standardisation committees and thus actively participate in the testing, recognition and implementation of innovations in IT. On the one hand, this facilitates a valuable exchange of know-how, thereby continuously upgrading the qualification level of our own workforce. Additionally, this committee work helps to ensure secunet's comprehensive participation in technological developments from an early stage.

Research and development activities for 2022 financial year were carried in various projects. Among other things, developments were pushed forward in the areas of cloud security, mobile and collaboration. Further development expenses were incurred for the ongoing development of secunet's existing solution portfolio, for example in the SINA and secunet konnektor product groups. The research and development activities are carried out both for our own purposes and also within the framework of individual customer projects.

Economic report

General economic environment

With a revenue share of around 91% in 2022, Germany is by far the most important sales market for secunet Group.

After a price-adjusted increase of 2.7% in 2021, Germany's economic output grew by 1.9% in 2022, according to the Kiel Institut für Weltwirtschaft (IfW Kiel). A variety of influencing factors, including in particular the Russia-Ukraine war, the significant rise in inflation and unchanged problems in global supply chains have led to a significant decline in economic strength.

Sector-specific framework conditions

In addition to the general economic development in Germany, the overall market for information and communications technology (ICT) forms an essential framework and comparative basis for the assessment of secunet's economic development.

Market statistics are compiled by the digital association Bitkom. After significant growth in 2021 (+5.9%), ICT spending in 2022 increased again by 4.0% to 196.1 billion euros. The digital sector thus developed better than the overall German economy. This development was positively driven by the largest ITC segment in terms of volume: the market for information technology (IT). This market is particularly significant for the secunet Group and grew by 6.6% to 118.9 billion euros in 2022. With a volume of 45.7 billion euros, IT services accounted for the largest share of the IT market in 2022 (+5.5%), even ahead of IT hardware. Spending on IT hardware increased by 5.4% to 37.7 billion euros. Spending on software rose by 9.4% to 35.5 billion euros.

As in previous years, security is an increasingly important topic for the IT market. Specific market statistics for IT security conclude that this market is growing faster in relative terms than the overall market for ICT and faster than the German economy as a whole. According to Bitkom (as of October 2022), spending on hardware, software and services in the IT security sector in Germany in 2022 was around 7.8 billion euros – an all-time high and 13% more than in the previous record year of 2021 (6.9 billion euros). IT security services accounted for the largest share of total spending, at 3.6 billion euros (+14%), around 46% of the total market in 2022. Spending on security software increased by 12% to 3.2 billion euros and accounted for 41% of total spending. IT security hardware accounted for another 1.0 billion euros (+14%).

The publicity generated by cyberattacks is also heightening security awareness, i.e. sensitisation to IT security, cybersecurity and data protection. Awareness among companies in the private sector is increasing accordingly. According to current surveys (Allianz Risk Barometer 2023), cyber incidents are perceived as the greatest business risk worldwide – ahead of risks from business disruptions (second place) or macroeconomic developments (third place). In Germany alone, cyber risks come second in the list of business risks.

The topic of IT security is receiving additional support from increasing regulation. With the digital strategy and the further development of the cybersecurity strategy, the German Federal Government is strengthening the security requirements that companies and the state must meet. For example, a right to encryption should help to increase both the acceptance for and the widespread use of encryption technologies among the population, business and public institutions. Furthermore, the principle of "security-by-design / default" will apply in future. This means that digital applications must take aspects of IT security into account from the outset.

Other national and international initiatives are further increasing the importance of IT security. With the German IT Security Act 2.0, stricter requirements for critical infrastructures, i.e. for organisations or facilities of critical importance to the state and society, have applied since last year. The group of companies concerned has been significantly expanded and the catalogue of minimum requirements has become more extensive. For example, all security-relevant network and system components may only come from trustworthy manufacturers. Companies must also have systems in place for early detection of, and defence against, cyberattacks.

At the European level, a large-scale IT system planned by the European Union for monitoring the travel movements of third-country nationals at the external borders of the Schengen area (Entry / Exit System EES) will come into force. This will make the required level of security for border infrastructures stricter and significantly increase the need for trustworthy solutions for the secure capture and processing of biometric data.

secunet Group is therefore essentially operating within an environment that is conducive to further corporate growth, both in the overall economy and its own sector.

Business performance in 2022

Business performance of secunet Group

In the 2022 financial year, secunet Group was able to continue to develop well despite difficult general conditions, for example in relation to the overall economic climate or the ongoing turmoil in global supply chains, and once again managed to achieve growth in revenue. Sales revenue realised in the 2022 financial year rose to 347.2 million euros and significantly exceeded the sales forecast published on 25 March 2022 and last confirmed on 8 November 2022 (approximately 320 million euros). The high comparative value of the previous year (337.6 million euros) was also slightly exceeded. secunet Group was thus able to continue its profitable growth course, which has been ongoing for years, and conclude a financial year with an increase in sales revenue compared to the respective previous year for the ninth time running.

Group earnings before interest and taxes (EBIT) amounted to 47.0 million euros. The earnings performance was slightly below expectations (approximately 50 million euros) and significantly below the previous year's value (63.9 million euros). Organic and acquisition-related workforce growth was primarily responsible for the change. As at 31 December 2022, secunet Group had more than 1,000 employees – around 200 more than a year earlier. Parallel to the growth in the workforce, personnel expenses also increased, which affected the profit margins accordingly. Additionally, higher scheduled amortisation of intangible assets and depreciation of property, plant and equipment as well as increased costs for external services, i.e. costs for the procurement of services from external providers, had an impact on the result.

Business development during the year 2022 was characterised by very strong year-end business. Increased procurement in the Public Sector division led to particularly high business results in the fourth quarter of 2022. In the last three months of 2022, Group sales revenue amounted to 134.2 million euros (Q4/2021: 88.2 million euros). This corresponds to a share of 39% of the total annual sales volume. Group EBIT in the fourth quarter of 2022 totalled 23.4 million euros (Q4/2021: 15.1 million euros) and contributed about half of the full-year result.

In 2022, secunet Group invested significantly in the expansion of its solutions portfolio and the tapping of new markets. One essential component of the investments made was the acquisition of SysEleven GmbH. With effect from 31 May 2022, secunet AG has acquired all shares in the Berlin-based cloud specialist. With this acquisition, the largest to date in the Company's history, secunet Group now has its own open source-based cloud infrastructure with data centre locations in Germany certified to ISO 27001 (Infrastructure as a Service) and provides MetaKube, a platform for the efficient management and optimisation of computing, storage and network resources based on Kubernetes (managed Kubernetes). With the acquired technologies and competencies, secunet Group is focusing even more intensively on building up a sovereign, trustworthy and at the same time extremely flexible cloud portfolio.

The Management Board assesses the business performance in 2022 as very good overall and also in terms of comparison with the published forecast. Despite the challenging macroeconomic environment and ongoing supply chain issues, secunet was once again able to achieve an increase in sales revenue, setting a new record for sales revenue. Moreover, secunet continues to be very profitable. Furthermore, secunet succeeded in recruiting numerous IT specialists, thus further expanding the Group's technological expertise. This will enable us to push forward future-oriented developments that will ensure medium and long-term growth.

Business performance of secunet AG

The forecast for secunet AG for the 2022 financial year was subject to the same risks and opportunities as those of secunet Group. A decline in sales revenue and EBIT was expected.

In the 2022 financial year, secunet AG achieved sales revenue of 329.5 million euros (previous year: 327.4 million euros) and earnings before interest and taxes (EBIT) of 51.2 million euros (previous year: 62.9 million euros). Sales revenue was thus above expectations and EBIT was in line with expectations. The reason for the deviations from the previous year are the developments described in the section "Business performance of secunet Group". The Management Board assesses the business performance of secunet AG in 2022 as good overall.

Results of operations

Results of operations of the Group

The income statement for secunet Group in accordance with IFRS, as applicable in the EU, is presented according to the cost of sales method.

Sales revenue performance

secunet generated Group sales revenue of 347.2 million euros in the 2022 financial year. This corresponds to slight growth on the figure for the previous year (337.6 million euros). 297.7 million euros (previous year: 290.8 million euros) were generated from the product business (hardware, software, maintenance and support) and 49.5 million euros (previous year: 46.8 million euros) from the provision of services. The increase in sales revenue is due to both volume and price effects.

secunet Group's business remained focused on public authorities, ministries and defence organisations: 87% of Group sales revenue in the 2022 financial year were attributable to this target group (previous year: 82%). The Public Sector division, which covers these activities, generated sales revenue of 300.3 million euros in this reporting period. The increase of 8% compared to the previous year (278.1 million euros) is essentially due to very good product business with the SINA family.

The remaining 13% of Group sales revenue were attributable to the Business Sector division (previous year: 18%). This division addresses two markets in the private sector: healthcare and industry. The Business Sector division generated sales revenue of 46.9 million euros in the 2022 financial year compared with 59.5 million euros in the previous year. The decisive factor for the significant deviation was product business with the secunet konnektor which, as expected, was below the previous year's level. In the previous year, two secunet konnektor software upgrades (PTV3 and PTV4) were rolled out, resulting in relatively high licence revenues with a favourable margin profile. In the 2022 financial year, only one software upgrade (PTV5) was released, and the sales volume developed accordingly.

From a geographical perspective, secunet Group saw sales revenue in Germany increase slightly to 316.4 million euros (previous year: 307.8 million euros). secunet's international business generated revenue of 30.9 million euros, corresponding to a slight increase on the previous year's figure (29.8 million euros). The share of international business was thus unchanged at 9% (previous year: 9%).

At 1.2 million euros, sales revenue from projects with the Giesecke+Devrient Group, i.e. with the parent company or sister companies of secunet AG, remained at an unchanged low level (previous year: 0.6 million euros).

Order book

secunet Group's order book as at 31 December 2022 amounted to 197.6 million euros. This was 7% higher than on the same date of the previous year (185.2 million euros). The increase in the order book results primarily from orders received from customers in the Public Sector division. The order book contains orders for the 2023 financial year as well as for subsequent years.

Earnings performance

secunet Group generated a gross profit of 90.2 million euros in the 2022 financial year. This corresponds to a gross margin of 26.0%. The change on the previous year – in which a gross profit of 101.6 million euros or a gross margin of 30.1% was achieved – is attributable to the development of the cost of sales. These rose from 236.0 million euros in the previous year to 257.1 million euros in the reporting period. The gross margin decreased accordingly.

The cost of sales is secunet Group's most important cost item and, in addition to personnel expenses, also includes the materials expenses required for the product business. In the 2022 financial year, secunet significantly expanded its workforce, partly as a result of the acquisition of SysEleven GmbH. Parallel to this, personnel expenses grew. Higher scheduled amortisation of intangible assets and depreciation of property, plant and equipment led to an additional increase in the cost of sales. This included, among other things, scheduled depreciation and amortisation on assets identified in conjunction with the purchase price allocation of the acquired SysEleven GmbH. Furthermore, increased costs for third-party services, i.e. costs for the procurement of services from external providers, had an impact on the cost of sales. Other material costs (raw materials and supplies) increased only marginally.

In the 2022 financial year, secunet Group's selling expenses in connection with marketing and sales activities increased to 22.7 million euros (previous year: 21.9 million euros). The ratio of selling expenses to sales revenue was 6.5%, unchanged from the previous year (6.5%).

General administrative costs totalled 10.3 million euros (previous year: 8.3 million euros). In addition to a moderate increase in personnel and material costs of the management and administrative offices, this item also included one-off costs in connection with the acquisition of SysEleven GmbH. The ratio of administrative expenses to sales revenue increased from 2.5% in the previous year to 3.0% in the reporting period.

Research and development costs, that is those costs incurred through operational research and development for product developments, amounted to 9.8 million euros in the 2022 financial year (previous year: 7.5 million euros). Research and development activities in 2022 were carried out in various projects. Among other things, developments were pushed forward in the areas of cloud security, mobile and collaboration. Further development expenses were incurred for the ongoing development of secunet's existing solution portfolio, for example in the SINA and secunet konnektor product groups. The ratio of research and development costs to sales revenue increased to 2.8% after 2.2% in the previous year.

Based on the reduced gross profit on sales and due to the increased functional costs, earnings before interest and taxes (EBIT) decreased significantly to 47.0 million euros. Accordingly, the EBIT margin was 13.5%. In the previous year, secunet Group had still achieved an operating profit of 63.9 million euros or a margin of 18.9%.

Following this development, the Public Sector division achieved an EBIT of 46.1 million euros in the 2022 financial year, after 57.4 million euros in the previous year. The Business Sector division achieved a positive EBIT of 0.9 million euros (previous year: 6.5 million euros). The earnings performance in both divisions was affected by the increase in cost items. In Business Sector, the change in the product mix described in the section "Sales revenue performance" also had a negative impact on earnings.

Interest income remained negligible from a Group perspective in the 2022 financial year (0.03 million euros, previous year: 0.01 million euros). Interest expenses totalled 0.5 million euros after 0.3 million euros in the previous year. In addition to the interest on pension provisions, the increase resulted mainly from the interest expense for a temporary current-account credit facility that was taken out as well as expenses within the scope of lease accounting in accordance with IFRS 16.

secunet Group achieved earnings before taxes (EBT) of 46.7 million euros in the 2022 financial year after 63.6 million euros in the previous year. Due to the earnings performance before taxes, tax expenses fell to 15.4 million euros (previous year: 20.6 million euros). The tax ratio in the 2022 financial year was around 33% (previous year: around 32%).

As a result, secunet achieved a significantly reduced consolidated net income of 31.3 million euros after 43.0 million euros in the previous year. Of this amount, 31.3 million euros (previous year: 43.1 million euros) is attributable to the shareholders of secunet AG and -0.02 million euros to non-controlling interests (previous year: -0.12 million euros, minority shareholders of secustack GmbH). Diluted and undiluted earnings per share amount to 4.84 euros (previous year: 6.66 euros).

Results of operations of secunet AG

In the annual financial statements of secunet AG issued pursuant to commercial law, the income statement is presented using the nature of expense method.

secunet AG achieved sales revenue of 329.5 million euros in the 2022 financial year, as against 327.4 million euros in the 2021 financial year. The sales revenue performance is attributable to the same reasons as at Group level. Other operating income amounted to 4.5 million euros (previous year: 3.4 million euros) and included, among other things, public project grants, reimbursements from damages, income from the release of provisions and other income. Unfinished services as well as work in progress and finished goods increased by 0.7 million euros in 2022 (previous year: decrease of 0.7 million euros).

Materials expenses amounted to 176.8 million euros in the 2022 financial year, compared to 168.4 million euros in the previous year, and were primarily influenced by the increase in sales revenues in the product business as well as the increase in the cost of intermediate products, which could only be passed on to customers with a time lag. Due to the growth in the workforce, personnel expenditure rose slightly to 71.8 million euros. In the previous year, this amounted to 70.7 million euros.

Depreciation and amortisation on intangible assets and property, plant and equipment amounted to 4.3 million euros in the 2022 financial year. The increase on the previous year (4.1 million euros) resulted from the further expansion of the Company's property, plant and equipment, mainly office equipment and IT infrastructure. Other operating expenses grew significantly in the reporting period to 30.6 million euros compared to 24.0 million euros in the previous year. The reason for this was the increase in various cost items (including rental costs for office space, advertising costs, ancillary personnel expenses and company car costs).

Income from equity investments increased from 2.4 million euros in the previous year to 3.3 million euros in the 2022 financial year and, as in the previous year, consisted primarily of the net income of secunet International GmbH & Co. KG.

At 51.2 million euros, secunet AG's earnings before interest and taxes (EBIT) in the 2022 financial year were significantly lower than in the previous year (62.9 million euros). The financial result for 2022 is reported at -0.4 million euros (previous year: -1.6 million euros). Accordingly, the earnings before income taxes were 54.1 million euros (previous year: 63.8 million euros). After deducting taxes on income (17.1 million euros) and other taxes (0.1 million euros), the net income for the year was significantly reduced to 36.9 million euros (previous year: 43.5 million euros).

Financial and net asset situation

Financial and net asset situation of the Group

The balance sheet is presented in accordance with IFRS, as applicable in the EU.

Capital structure of the Group

The balance sheet total of secunet Group was 315.4 million euros as at the reporting date of 31 December 2022, significantly exceeding the figure as at the previous year's reporting date of 31 December 2021 (274.0 million euros). On the liabilities side of the balance sheet total, 127.8 million euros was attributable to equity (31 December 2021: 129.8 million euros) and 187.6 million euros to debt capital (31 December 2021: 144.2 million euros). The equity ratio was thus approximately 41% (31 December 2021: approximately 47%) and the debt ratio was approximately 59% (31 December 2021: 53%).

As at the reporting date, there were almost no liabilities to banks (0.5 million euros). Ongoing business and necessary replacement investments were financed primarily from cash and cash equivalents in the reporting period. The same applies to the acquisition of SysEleven GmbH and all other investments.

Balance sheet of secunet Group, assets

in euros	31 Dec 2022	31 Dec 2021
Current assets		
Cash and cash equivalents	21,479,549.36	119,476,061.19
Trade receivables	75,818,259.18	31,703,067.78
Intercompany financial assets	304,018.98	124,011.53
Contract assets	2,596,942.21	3,946,989.09
Inventories	72,298,654.03	50,073,088.25
Other current assets	6,084,621.52	3,751,333.41
Income tax receivables	1,174,591.64	0.00
Total current assets	**179,756,636.92**	**209,074,551.25**
Non-current assets		
Property, plant and equipment	10,720,417.00	7,629,143.38
Right-of-use assets	18,288,681.46	17,109,040.57
Intangible assets	39,006,599.04	13,234,004.81
Goodwill	47,627,601.69	10,322,966.13
Non-current financial assets	6,549,879.00	6,414,381.00
Trade receivables	0.00	1,575,669.48
Deferred taxes	2,547,651.27	2,680,603.90
Other non-current assets	10,922,602.38	5,980,822.34
Total non-current assets	**135,663,431.84**	**64,946,631.61**
Total assets	**315,420,068.76**	**274,021,182.86**

Assets

The assets side of the consolidated balance sheet showed current assets of 179.8 million euros as at 31 December 2022 after 209.1 million euros as at the previous year's reporting date. The main factor for the change was cash and cash equivalents, which decreased to 21.5 million euros in the reporting period, due in particular to the acquisition of SysEleven GmbH paid in cash (50.3 million euros), distribution of the dividend (34.8 million euros) and cash outflow from operating activities. As at the previous year's reporting date, cash and cash equivalents amounted to 119.5 million euros.

By contrast, trade receivables increased to 75.8 million euros as at 31 December 2022 (31 December 2021: 33.3 million euros), mainly due to the high sales volume in the year-end business.

secunet Group significantly expanded inventories from 50.1 million euros as at 31 December 2021 to 72.3 million euros as at 31 December 2022 to meet demand due to the increased product business and counter the effects of the ongoing worldwide bottlenecks in the supply of semiconductor products.

Contract assets as at 31 December 2022 amounted to 2.6 million euros, compared to 3.9 million euros as at the same date of the previous year, and represent services already rendered under contracts for work and services for which no unconditional claim for payment has yet arisen.

Non-current assets more than doubled, an increase of 70.7 million euros to 135.7 million euros as at the reporting date (31 December 2022: 64.9 million euros). The background is mainly the first-time consolidation of SysEleven GmbH, which was acquired in the reporting period. As a result, goodwill increased to 47.6 million euros (31 December 2021: 10.3 million euros) and intangible assets grew to 39.0 million euros (31 December 2021: 13.2 million euros). The first-time consolidation of SysEleven GmbH and additions to office and operating equipment also saw property, plant and equipment increase to 10.7 million euros (31 December 2021: 7.6 million euros).

Right-of-use assets amounting to 18.3 million euros (31 December 2021: 17.1 million euros) result primarily from leases for buildings, offices and company cars. The corresponding items on the liabilities side are the lease liabilities.

Current and non-current other assets increased to 17.0 million euros (31 December 2021: 9.7 million euros), mainly due to an increase in deferred other receivables from suppliers and advance payments for travel expenses.

Debt and equity

As at 31 December 2022, the liabilities side of the consolidated balance sheet showed significantly greater current liabilities, i.e. liabilities with a remaining term of less than one year, of 103.3 million euros (31 December 2021: 85.2 million euros) and significantly greater non-current liabilities of 84.3 million euros (31 December 2021: 59.0 million euros). As at the balance sheet date, there were almost no liabilities to banks (0.5 million euros).

Balance sheet of secunet Group, liabilities

in euros	31 Dec 2022	31 Dec 2021
Current liabilities		
Trade accounts payable	36,185,965.84	23,276,779.95
Intercompany payables	79,789.82	102,952.71
Lease liabilities	3,947,364.31	3,132,248.03
Short-term loans and current portion of long-term loans	312,500.00	0.00
Other provisions	17,211,643.67	24,181,873.57
Income tax liabilities	3,068,902.97	9,105,676.54
Other current liabilities	12,290,604.69	4,546,725.61
Contract liabilities	30,231,243.38	20,889,875.70
Total current liabilities	**103,328,014.68**	**85,236,132.11**
Non-current liabilities		
Lease liabilities	14,709,981.23	14,277,862.90
Other non-current liabilities	12,638,551.04	0.00
Deferred taxes	11,999,696.98	4,253,671.95
Provisions for pensions	5,604,437.00	8,030,046.00
Other provisions	1,585,725.88	2,306,469.40
Contract liabilities	37,562,964.37	30,093,159.77
Liabilities to banks	156,250.00	0.00
Total non-current liabilities	**84,257,606.50**	**58,961,210.02**
Equity		
Subscribed capital	6,500,000.00	6,500,000.00
Capital reserves	21,922,005.80	21,922,005.80
Other reserves	-211,218.99	-1,737,932.33
Retained earnings	99,378,962.70	102,876,356.60
Equity attributable to parent company shareholders	127,589,749.51	129,560,430.07
Non-controlling interests	244,698.07	263,410.66
Total equity	**127,834,447.58**	**129,823,840.73**
Total liabilities	**315,420,068.76**	**274,021,182.86**

The higher procurement due to the high sales volume in the year-end business and the build-up of inventories led to an increase in trade payables to 36.2 million euros as at 31 December 2022 (31 December 2021: 23.3 million euros).

Lease liabilities increased from 17.4 million euros as at 31 December 2021 to 18.7 million euros as at the current balance sheet date and mainly resulted from leases for buildings, offices and company cars. The corresponding item on the assets side are the right-of-use assets.

Contract liabilities significantly increased to 67.8 million euros as at 31 December 2022 (31 December 2021: 51.0 million euros) and comprised customer prepayments that will be recognised as sales revenue after the reporting date. This item contains transactions where secunet generates cash inflow in advance due to multiple-year maintenance and support contracts and extended warranties or receives advance payments for later supplies or services. The increase is mainly due to the increased product business.

Due to the increased general interest rate level and the corresponding adjustment of the actuarial interest rate, there was a decrease in pension provisions without effect on income. As at 31 December 2022, they amounted to 5.6 million euros, after 8.0 million euros as at the previous year's reporting date.

Other provisions fell considerably to 18.8 million euros as at the reporting date (31 December 2021: 26.5 million euros). The declining business result led to a lower accrual for variable remuneration components for the workforce.

Other current liabilities increased to 12.3 million euros (31 December 2021: 4.5 million euros). This was mainly the result of an increase in value-added tax payable due to the high sales volume in the year-end business.

Other non-current liabilities include a success-related purchase price component agreed in the context of the acquisition of SysEleven GmbH. The success-related purchase price payments are dependent on quantitative and qualitative targets. As at 31 December 2022, the fair value of the contingent purchase price payments amounted to 11.1 million euros. No other non-current liabilities were reported as at the previous year's reporting date.

Deferred tax liabilities amounted to 12.0 million euros, compared to 4.3 million euros as at the previous year's reporting date, due in particular to the increase in deferred tax liabilities from intangible assets resulting from the acquisition of SysEleven GmbH.

Equity at the end of the 2022 financial year was 127.8 million euros, roughly the same level as the previous year (129.8 million euros). Retained earnings amounted to 99.4 million euros and were also almost unchanged (31 December 2021: 102.9 million euros). In relation to the balance sheet total, this results in a slightly reduced equity ratio of 41% compared to 31 December 2021 (31 December 2021: 47%) due to the increased balance sheet total.

Cash flow and liquidity

Cash flow from operating activities amounted to -4.0 million euros in the 2022 financial year, compared to an inflow of 53.8 million euros in the previous year, mainly due to a cash-effective increase in working capital. This resulted primarily mainly from an increase in inventories and a significant increase in trade receivables as at 31 December 2022. The main reason for the increase in trade receivables was the high sales volume in the year-end business.

The cash flow from investing activities amounted to -54.5 million euros in the financial year and thus showed a very significant change compared to the previous year (-15.7 million euros). While 9.9 million euros were paid for the acquisition of stashcat GmbH in the previous year, there was a cash outflow of 48.9 million euros for the acquisition of SysEleven GmbH in the current reporting year. Furthermore, investments in intangible assets and property, plant and equipment amounted to 5.5 million euros (previous year: 6.8 million euros). These were, in particular, expenditures for the new acquisition and replacement of hardware, software and other operating equipment.

Cash flow from financing activities amounting to -39.5 million euros (previous year: -20.2 million euros) essentially reflects the dividend payment of 34.8 million euros (previous year: 16.4 million euros). Additionally, there were repayment portions of payments in connection with lease liabilities amounting to 4.7 million euros (previous year: 3.6 million euros).

Overall, at the end of the 2022 financial year, there was an outflow of cash and cash equivalents amounting to 98.0 million euros, compared with a cash inflow of 17.8 million euros in the previous year. Accordingly, cash and cash equivalents decreased significantly to 21.5 million euros as at the reporting date of 31 December 2022 (31 December 2021: 119.5 million euros).

Financial and net asset situation of secunet AG

The annual financial statements of secunet AG were prepared in accordance with German commercial law. The accounting measurement methods in the Annual Financial Statements of secunet AG pursuant to commercial law differ from those for secunet Group (prepared in accordance with IFRS), as applicable in the EU, primarily with regard to the presentation of receivables, inventories, pension provisions and deferred taxes. A different measurement method is also used for goodwill, which according to the German Commercial Code (HGB) is amortised on a straight-line basis, while IFRS only provides for unscheduled impairments following an annual impairment test.

Balance sheet of secunet AG, assets

in euros	31 Dec 2022	31 Dec 2021
A. Fixed assets		
I. Intangible fixed assets	2,014,574.00	2,441,799.00
II. Property, plant and equipment	7,581,236.00	7,231,691.86
III. Financial assets	82,107,718.80	17,795,208.76
Total fixed assets	**91,703,528.80**	**27,468,699.62**
B. Current assets		
I. Inventories	75,080,274.00	51,609,166.90
II. Receivables and other assets	80,493,079.36	40,925,106.61
III. Cash in hand and balances with credit institutions	15,884,905.00	106,230,783.40
Total current assets	**171,458,258.36**	**198,765,056.91**
C. Prepaid expenses and accrued income	**13,246,918.09**	**8,992,876.95**
Total assets	**276,408,705.25**	**235,226,633.48**

secunet AG’s balance sheet total increased to 276.4 million euros as at 31 December 2022 (31 December 2021: 235.2 million euros). On the assets side of the balance sheet, fixed assets grew to 91.7 million euros, after a value of 27.5 million euros was reported on the previous year’s reporting date. The reason for the change was the increase in financial assets from 17.8 million euros to 82.1 million euros, particularly due to the acquisition of SysEleven GmbH. Intangible assets and property, plant and equipment changed only insignificantly compared to the previous year’s reporting date: intangible assets amounted to 2.0 million euros (31 December 2021: 2.4 million euros), property, plant and equipment amounted to 7.6 million euros (31 December 2021: 7.2 million euros).

Current assets decreased from 198.8 million euros as at 31 December 2021 to 171.5 million euros as at the current reporting date. While cash in hand and bank balances fell significantly from 106.2 million euros to 15.9 million euros, inventories rose from 51.6 million euros to 75.1 million euros and receivables and other assets from 40.9 million euros to 80.5 million euros. These developments are due to the same causes as at Group level.

Prepaid expenses and accrued income included accruals of 13.2 million euros (31 December 2021: 9.0 million euros), mainly due to advance payments for product services sold as part of customer projects.

Balance sheet of secunet AG, liabilities

in euros	31 Dec 2022	31 Dec 2021
A. Equity		
Subscribed capital	6,500,000.00	6,500,000.00
Nominal value of treasury shares	-30,498.00	-30,498.00
I. Issued capital	6,469,502.00	6,469,502.00
II. Capital reserves	21,656,305.42	21,656,305.42
III. Retained earnings		
Other retained earnings	76,360,410.84	57,956,113.28
IV. Net accumulated profit	18,502,775.72	34,805,920.76
Total equity	**122,988,993.98**	**120,887,841.46**
B. Provisions	**30,252,570.03**	**42,341,928.90**
C. Liabilities	**66,301,648.49**	**25,779,715.61**
D. Deferred income and accrued expenses	**56,865,492.75**	**46,217,147.51**
Total liabilities	**276,408,705.25**	**235,226,633.48**

On the liabilities side, secunet AG's equity totalled 123.0 million euros as at 31 December 2022, compared with 120.9 million euros as at the previous year's reporting date.

Provisions amounted to 30.3 million euros as at the reporting date (31 December 2021: 42.3 million euros) and mainly comprised provisions for pensions and similar obligations as well as tax provisions and other provisions.

secunet AG's liabilities amounted to 66.3 million euros as at 31 December 2022 (31 December 2021: 25.8 million euros). As at Group level, the high sales volume in the year-end business led to a reporting date-related increase in trade payables.

Deferred income and accrued expenses grew to 56.9 million euros as at the balance sheet date, compared to 46.2 million euros as at the same date in the previous year. Given the increase in the product business, earnings were increasingly accrued in conjunction with performance after the balance sheet date.

Proposal for the appropriation of distributable earnings

The Management Board and Supervisory Board will propose to the Annual General Meeting to be held on 31 May 2023 that 18.5 million euros from the balance sheet profit for the financial year 2022 of 18.5 million euros be distributed to the shareholders of the 6,469,502 capital shares, as at 31 December 2022, through payment of a dividend of 2.86 euros per dividend-bearing share.

Capital expenditure

The capital expenditure of secunet Group amounted to 54.5 million euros in the 2022 financial year after 15.7 million euros in the previous year. Investments consisted primarily of the acquisition of SysEleven GmbH (50.3 million euros) respectively the related investments in property, plant and equipment and intangible assets (especially trademark rights, customer relationships, technologies and goodwill). Other investments in intangible assets and property, plant and equipment are mainly expenditures for the new acquisition and replacement of hardware, software and other operating equipment. In the 2022 financial year, this type of investment accounted for 5.5 million euros (previous year: 6.8 million euros).

The investments were made primarily by secunet AG and funded mainly from cash and cash equivalents.

Employees

The creativity, motivation and integrity of our employees are decisive factors for the success of our Company. Their commitment, flexibility and expertise are part and parcel of the strengths our Company has been shown to possess.

In the 2022 financial year, secunet employed more than 1,000 people across the Group for the first time. The number of permanent employees increased by 203 or 27% to 958 persons as at the reporting date of 31 December 2022 (31 December 2021: 755 persons). Additionally, secunet Group employed 109 temporary staff as at the reporting date (31 December 2021: 102 temporary staff). This means that a total of 1,067 persons were working for secunet (31 December 2021: 857 persons). The growth of the workforce is due to both new hires and the acquisition-related increase in personnel.

At the end of the 2022 financial year, secunet AG employed 799 permanent employees (31 December 2021: 713).

More detailed information about the qualifications and requirements of the workforce as well as about the management principles can be found in the combined non-financial statement of the Company and the Group in the section “Employee matters”.

Overall statement on the earnings, financial and net assets situation

The Management Board continues to assess the economic situation of the Group and the Company as very good at the time of reporting. In the 2022 financial year, secunet again recorded growth in sales revenue and thus achieved a new record for sales revenue.

secunet Group was unable to match the previous year's high figure for the key financial performance indicator EBIT. This was attributable in particular to the accelerated expansion of the workforce in the year under review, as well as expenses in connection with the acquisition of SysEleven GmbH. Nevertheless, secunet Group continued to be very profitable.

These results demonstrate the economic strength and resilience of the business model of secunet Group, whose financial strength is also reflected in a strong balance sheet.

The assessment of the financial position is that it remains solid despite the significant cash outflow in 2022. This resulted primarily from the one-off purchase price payment for the acquisition of SysEleven GmbH and the increase in working capital as at the reporting date.

Risk and opportunity report

Goals and methods of risk and opportunity management

Risk and opportunity management (hereinafter ROM) is carried out in the same way and in parallel for secunet Group and for secunet AG. The function presented below and the description of individual risks and opportunities thus apply to both secunet Group and secunet AG.

ROM at secunet is carried out at various levels: Accordingly, the consideration of the risk and opportunity situation is fed from various sources.

Risks and opportunities relating to the targets set in the current annual planning are dealt with in a dedicated risk committee – the ROM Committee.

Recurring operational risks and opportunities are taken into account as part of the regular operational routines and risk minimisation or opportunity maximisation measures and are reduced or eliminated (risks) or supported (opportunities) to the fullest extent possible.

Risks and opportunities that are countered by means of strategic, medium to long-term measures are taken into account by the Management Board as framework conditions for medium-term strategic corporate planning.

The early risk detection system and the risk and opportunity management system of secunet AG are being continuously developed and improved.

Risk and opportunity management for the current planning and financial year

ROM relating to the targets set in the current annual planning is carried out at secunet by a risk committee, the ROM Committee. This comprises the members of the Management Board, the commercial manager and the departmental manager responsible for risk management. The ROM Committee holds regular meetings once a quarter. Developments that could jeopardise the fulfilment of objectives, or which may even threaten the survival of the Company, are subjected to intense analysis, scrutiny and assessment by the risk committee. The aim of doing this is to ensure that information about risks, and the associated financial implications, is detected as early as possible in order to implement suitable measures. The existing opportunities and associated potential for earnings are to be identified and leveraged.

As part of the preparation for meetings of the risk committee, a comprehensive risk and opportunity inventory takes place in each area of the Company. Following a bottom-up approach, the significant risks/opportunities are identified as well as assessed and aggregated according to their damage extent or earnings contribution and probability of occurrence. Significant risks and opportunities are to be captured. To this end, a net EBIT effect of 0.2 million euros has been set as a materiality threshold. In principle, all risks can be included; for risks above the materiality threshold, this is mandatory. In parallel with the inventory of risks and opportunities, the plausibility of this information is checked by comparing it with the current sales and earnings projections, which are maintained by the sales management and financial controlling departments. The results of the plausibility check are also included in the risk and opportunity inventory.

The Company-specific risks and opportunities surveyed in this manner are then discussed at the risk committee meetings, implementing a top-down approach, and revalidated. A net presentation is shown when evaluating the potential damaging effects of risks, or the effects on earnings of opportunities; that is to say the effects of any risk minimisation/opportunity improvement measures already taken are considered as part of the evaluation. Depending on the probability-weighted damage value of the risks/earnings value of the opportunities (risk value/opportunity value), the further treatment of the risks and opportunities is then determined according to standardized maxims for action. These range from pure documentation where the value is negligible (the probability-weighted damage value/opportunity value in the 2022 financial year amounting to less than around 0.5 million euros in EBIT losses, "low risk") and further observation and monitoring of existing measures (for a damage value/opportunity value in the 2022 financial year in the amount of around 2.5 million euros, "medium risk") to the need to take and monitor measures immediately (reporting threshold – for a probability-weighted damage value/opportunity value in the 2022 financial year exceeding around 2.5 million euros, "high risk").

The value limits defined above are re-determined annually based on the planned annual result. Insofar as the identified risks/opportunities are quantifiable, the corresponding risk/opportunity values (relating to the reporting date) are adopted in the reporting system.

If required, proposals for countermeasures are then drawn up in the case of risks and support measures in the case of opportunities. The Management Board reviews these measures and ensures that they are implemented in a timely manner.

The operating risks and opportunities considered in this part of ROM for secunet Group and thus also for secunet AG as the parent company of the Group are primarily classified according to their origin in the functional areas of secunet as follows:

- » Supplier risks: these are risks and opportunities that affect secunet's suppliers and can have an impact on sales – for example, in the form of supply bottlenecks.
- » Sales risks/sales opportunities: these are risks and opportunities in all areas connected with distribution. They relate primarily to the functions purchasing and inbound logistics, sales and outbound logistics as well as distribution and marketing.
- » Product risks/opportunities: these are the risks and opportunities that can arise in connection with products and solutions from secunet. They relate primarily to risks from technical defects or potential security weaknesses in the components used. Also included in this category are risks from the divisions responsible for planning and coordinating the market-readiness of products and solutions from secunet Group.
- » Project risks/opportunities: these are the risks and opportunities that can arise in connection with development and consulting projects. They mainly include the risks relating to budget planning and subsequent budget compliance. Opportunities can arise when projects are completed better than planned.
- » Structural risks/opportunities: these are the risks and opportunities arising from support functions such as finance and controlling, legal and human resources, and IT. Risks from M&A activities and compliance risks are also recorded here.

At the time of preparing this report, the risk and opportunity situation with regard to operational risks is as follows:

- » There are no supplier risks and opportunities. The risks of supply bottlenecks are included in the sales risks, as they could directly reduce sales opportunities.
- » Among the sales risks, the risk of delivery bottlenecks on the part of suppliers dominates. Since the first occurrence of such risks in 2021, active supply chain management has largely succeeded in mitigating such risks. Inventory building and ongoing close coordination with key suppliers have proven to be successful measures. Risks from the postponement of large infrastructure projects by customers are also included in the sales risks. These sales risks are compensated by sales opportunities that arise, for example, from large new projects or the expansion of existing major projects in the public sector.
- » Product risks result primarily from higher than expected time expenditures for the development and approval of new products. This indirectly influences the sales opportunities through these products.
- » The project risks mainly consist of budget deviations. These are mitigated by means of coordination with the customers (adjustment of the budget, change requests in the project planning) and by including the risks in the forecast (adjustment of results).
- » Structural risks – for example, impending value adjustments on inventories – are more than compensated for by opportunities in this category.

In the 2022 financial year, the coronavirus pandemic still represented a significant and constantly monitored risk for business development. The Management Board assessed its potential effects on secunet Group continuously and with high priority. Discussion of the risks and measures surrounding the coronavirus pandemic took place in a dedicated steering committee, which met considerably more often than the risk committee. All aspects of business operations were examined and evaluated, with appropriate measures being developed where necessary. In each case, the focus of the discussions was on maintaining the health of employees as well as our own infrastructure. Since the beginning of the pandemic in 2020, secunet has proved to be a fast-reacting, flexible and adaptable organisation, with the result that it was quickly possible to reduce risks in operational management. At the time of preparing this report, the coronavirus risk for secunet's business operations is considered to be negligible. The coronavirus steering committee thus concluded its activities. In this respect, the coronavirus pandemic no longer poses an immediate risk.

Operational risk and opportunity management

Operational risks and opportunities are risks/opportunities affecting ongoing business operations that can arise repeatedly. They are recorded, evaluated and, as far as possible, excluded or exploited through specific risk minimisation or opportunity improvement routines. These control mechanisms are applied at various points in the value creation process.

Distribution or sales risks are discussed within the framework of distribution coordination via risk committees. Risk committees must be held in the case of orders that exceed a defined value. These committees are made up of at least the representatives of the responsible (sales) department, the division/business unit expected to be entrusted with the desired order, the commercial manager, representatives of the legal department and purchasing as well as a member of the Management Board. The goal of the risk committees is to decide for the respective order or invitation to tender, on the basis of transparent criteria, whether and how a bid can be submitted or an order accepted. A standardised synoptic presentation of the risks opportunities of the respective tender object serves this purpose.

Since a discussion of the risks, including an assessment of their acceptability, is conducted by the risk committees in each case, and the decision recognises the risks as acceptable, they are considered to be low at the time of writing this report.

There is a general project management risk when it comes to major projects. In addition, there are specific risks for long-term major projects. At secunet, such project risks are identified and evaluated in the higher-level project coordination and mitigated by means of appropriate measures. The project management risk arises after the commissioning of major projects: these projects are characterised by multiple uncertainties in their implementation due to the sheer fact of their size. The risk may consist, for example, of a failure to maintain schedules and project budgets. secunet takes these risks into account by means of a comprehensive project management system, which is used to create regular management reports for project managers, division heads and the Management Board. The risks arising from major projects are continuously monitored – in the same way as development risks – with comprehensive project planning and control mechanisms, in conjunction with a risk-oriented reporting system. In the event of deviation from the set targets, measures to reduce the risk are resolved and implemented immediately. These can consist of making additional capacity available for processing the project or discussing deviations with the customer in order to bring expectations into line with the altered framework conditions. The risks arising in the course of project management are sufficiently mitigated by the corresponding measures. Accordingly, the project risks outlined are considered low at the time of writing this report.

There were no significant project risks as at the end of 2022; accordingly, this risk class was assessed as low.

Product risks can arise in various forms. They are largely mitigated within the framework of operational management processes, with the effect that they are considered low at the time of preparing this report.

Product risks can arise in the individual phases of a product life cycle. In conjunction with the development of new products – including corresponding major projects – the following risks are discussed and evaluated regularly:

» Risk of a possible decline in demand: the product fails to prove itself on the market.

» Risk of undesirable technical developments: the product contains defects that lead to warranty claims.

» Risk of failure to complete the product in time: the development project takes considerably more time than estimated.

At the time of preparing this report, there is no market risk and no risk of undesirable technical development. Only the latter development risks are taken into consideration. These have an impact mainly as a sales risk within the framework of the risk assessment for the current financial year.

In the past, secunet primarily developed products and solutions in response to orders to cover specific security needs in the public sector. Its high-security IT solutions are tailored precisely to customers' needs; secunet products are generally not designed without a specific requirement in mind. Most of the products developed by secunet are made to order and are accordingly financed by the customer. Therefore, no development risks exist in terms of potentially waning demand. The risks associated with developing new products that subsequently prove unsuccessful on the market have therefore not been of primary significance for secunet in most product areas.

The development of secunet's own products, such as the secunet konnektor, SINA Communicator and easykiosk, has increased the volume of related internal investments. This has brought development risks more into the focus of risk evaluation. The focus here is less on the sales prospects associated with the products than on the duration of development and certification. The greatest risk for development projects may be underestimation of the time required before they are ready for acceptance. This can lead to expenditure of time and personnel, which limits the profitability of these projects. In order to keep these risks as low as possible, secunet uses extensive project planning and control mechanisms in different locations, paired with a dedicated reporting line. This part of the risk analysis and risk management is identical to the activities that apply for major projects. In the area of development projects, the risk at the time of creating this report is classified as low.

The secunet AG product portfolio is concentrated on solutions in the area of cybersecurity. In the case of the SINA product family in particular, these solutions are protected and approved at a high level in cryptographic terms. One risk that is evaluated on an ongoing basis in connection with the technical properties of these products is the effect of any possible – as yet undetected – security weaknesses. In this context, the focus is on the question of whether and to what extent the security promise made to its customers by secunet in connection with the solution as a whole might be compromised as a result of security holes in individual components. This is the task of operational incident management, another component of risk management at secunet. A comprehensive process of ongoing risk identification and assessment takes place in this area for the purposes of risk minimisation. As part of this process, secunet collects and evaluates findings about potential security risks from a wide range of sources. Even if potential vulnerability of the systems merely seems possible as a result of this evaluation, customers are informed immediately and supported in closing the potential security hole. This process of monitoring and solving potential technical security risks is implemented in close collaboration with the Company's development and certification partner, the German Federal Office for Information Security (BSI). In view of the risk minimisation measures in use, the economic risk connected with technical product security is believed to be low.

At the time of reporting, sales opportunities in the form of additional opportunities were not yet recognized in Group planning. The valued amount of sales opportunities is classified as "low". No further tangible opportunities were identified at time of reporting.

Strategic risk and opportunity management

Medium and long-term risks and opportunities for secunet are taken into account in the course of strategic planning. They are summarised in the "strategic risks" risk and opportunity category. These risks include macroeconomic framework conditions, market dynamics and the development of the competitive situation as well as risks in investments and M&A activities, capital market risks and sustainability risks. These framework conditions and the consequences for the strategy are regularly discussed as part of the planning process with the Supervisory Board, which approves and follows up on this planning.

The risks considered here include the following:

Macroeconomic developments such as economic trends (possible recession), inflation and interest rate trends are included in the analysis, but are not considered material for secunet. This is due to the fact that secunet products have so far mainly been used in infrastructure projects of public authorities, which are much less susceptible to economic cycles than projects in the private sector. Inflation expectations are included in the planning. Beyond this, secunet has only taken out short-term loans and is thus relatively independent of interest rate developments. In the planning process, the Management Board also considered the possible effects of the inflationary trends that have emerged since mid-2022.

As a special matter, the Management Board discussed the impact of the war in Ukraine during strategic planning. There are no risks from supplier or customer relationships. Indirect effects are considered to be low.

Market risks are more than offset by market opportunities. Rapid technological change, which creates a high pressure to innovate and increases competitive pressure due to the attractiveness of the market for IT security, are seen as risks. Opportunities arise from fundamental market growth as a result of growing digitalisation, complemented by the desire for digital sovereignty and cyber resilience. Trustworthy IT security products made in Germany are thus in demand. Regulatory requirements, for example from the German IT Security Act, are additionally driving demand.

The concentration of secunet's business on the German market, the target group of public sector users with relatively few large customers who are essentially served with one product family (SINA) are seen as potential risks. In addition to the fact that these aspects can equally be interpreted as a stable basis for sustainable business, secunet's strategy is to exploit growth opportunities in the private sector (Business Sector) and in international markets.

As with the operating divisions, supply risks are considered very significant in the strategy. Geopolitical developments ("America First" orders, the war in Ukraine, the aftermath of the coronavirus pandemic, the changes in procurement relationships) exacerbate the fundamentally tense supply situation on international market for semiconductors. This is reinforced specifically for secunet by the fact that often only single suppliers are approved for the high-security sector. The single-source dependency makes it almost impossible to switch to alternative suppliers. Permanent risk-minimising supply chain management is thus important both operationally and strategically. Previous experience in the operating divisions has shown that secunet can deal with these challenges and gives us confidence for medium term.

On the procurement side for personnel, the shortage of skilled workers as well as demographic change create challenges for the future. As a result, secunet strives to continue to be recognised as an attractive employer.

Growth through acquisitions continues to be seen as an opportunity in strategic areas. The acquisition of SysEleven GmbH in the financial year 2022 has shown that secunet can carry out successful transactions. The success of the ongoing integration process will determine the sustainability of the acquisition. As a result, it enjoys high management attention. secunet also actively continues to identify suitable and commercially viable acquisition targets.

Overview of risks and opportunities

An overview of risks and opportunities which could impact on the further development of secunet Group shows a confident evaluation overall. The assessment revealed that the risks at the time of creating the report can be controlled overall, and the identified risks do not threaten the continued existence of the Group and the Company in terms of illiquidity or excessive debts in the reporting period of at least one year. The overall risk position has not changed significantly compared to the previous year. Identified opportunities support this assessment. In the operational management of the Group, measures are continuously being taken to prevent a worsening of the risk situation. At the same time, the utilisation of the opportunities described above is being driven forward by a number of activities. No material risks are present as at the balance sheet date.

The business development of secunet AG is subject to the same risks and opportunities as those of the Group. The presentation and evaluation of risks and opportunities thus also apply in the same way for secunet AG.

Forecast

Premises of the forecast

The forecasts for the secunet Group and secunet Security Networks AG include all information known to the Management Board at the time of preparing this report that could impact business performance. The outlook is based, among other things, on the expectations described below for economic development as well as the development of the IT and IT security market.

With regard to the secunet Group as well as the individual Public Sector and Business Sector divisions, unforeseeable events could influence the currently expected development of the company or individual divisions.

The developments forecast for the key financial performance indicators apply exclusively to the development of the secunet Group in the Group structure as at the reporting date of 31 December 2022 (consolidated Group). Any acquisitions in the 2023 financial year are not taken into account.

General economic environment

With a revenue share of around 91% in 2022, Germany is by far the most important sales market for secunet Group.

According to the Kiel Institut für Weltwirtschaft (IfW Kiel), Germany's economic outlook is fraught with uncertainty as risks in the energy supply and the supply chains remain unchanged. As a result, economic experts expect economic output to initially stagnate in 2023. A slight upturn is not expected until the second half of the year. All in all, a 0.3% increase in gross domestic product is forecast.

Sector-specific framework conditions

In addition to the general economic development in Germany, the overall market for information and communications technology (ICT) forms an essential framework for the secunet Group's economic development.

Market statistics are compiled by the digital association Bitkom. According to current calculations (as of January 2023), ICT spending is expected to grow by 3.8% compared to 2023 and is expected to reach a volume of 203.4 billion euros. The current outlook thus points to growth slightly below that of the previous year (+4.0%). This development is positively driven by the largest segment in terms of volume: the market for information technology (IT). This market is particularly significant for the secunet Group and is expected to grow by 6.3% to 126.4 billion euros in 2023. Expenditure on software is expected to exhibit the greatest growth in this segment, rising by 9.3% to 38.8 billion euros. At a volume of 47.8 billion euros, IT services will still account for the largest share of the IT market in 2023 (+4.7%), ahead of IT hardware. Spending on IT hardware is expected to increase by 5.3% to 39.7 billion euros in 2023.

Security is an increasingly important issue for the IT market. Specific market statistics for IT security conclude that this market is growing faster in relative terms than the overall market for ICT and faster than the German economy as a whole. According to Bitkom (as of October 2022), spending on hardware, software and services in the IT security sector in Germany in 2022 was around 7.8 billion euros – an all-time high and 13% more than in the previous record year of 2021 (6.9 billion euros). For 2023, a further increase of 10% to 8.5 billion euros is expected. In 2024, the German market is expected to grow to 9.4 billion euros, and in the following year, 2025, it is expected to exceed the 10-billion-euro mark for the first time with 10.3 billion euros.

The Management Board assumes that the supply bottlenecks for certain hardware components will not be fully resolved in 2023 and will impact market development.

Company-specific framework conditions

Strategy

The secunet Group strives to maintain its business policy of sustainable and profitable growth. On the one hand, the goal is to expand the existing public customer base in the Public Sector division and to further develop existing core technologies, such as the SINA product family. On the other hand, business activities in the Business Sector division, especially in the health sector and in the industrial environment, are to be consistently expanded.

Market position

The Management Board is of the opinion that secunet's products and solutions enjoy an excellent reputation, that the company is recognised as a supplier of high-quality and trustworthy IT security for the most demanding requirements and that the secunet Group is thus very well positioned to meet the increasing demand driven by market growth. The IT security partnership that has existed with the Federal Republic of Germany since 2004 underscores this assessment.

Internationalisation

Another significant driver of growth for the secunet Group is increased internationalisation. IT security solutions "Made in Germany" enjoy a good reputation around the world due to their quality and trustworthiness. There is rising international demand for corresponding high-quality solutions such as those offered by secunet. In addition to the German market, secunet focuses on countries in the European Union, EU organisations as well as defence and space organisations (such as NATO) and countries in the Middle East. The Management Board views secunet Group as well positioned to leverage growth potential in foreign markets. Employees in international distribution have many years of experience in the Group and in dealing with international customers.

Acquisitions

The sustainable, organic development of the secunet Group is to be further supplemented by value-enhancing acquisitions in order to close gaps in the Group portfolio and thus expand or round off its technological expertise. Thanks to a stable balance sheet, the secunet Group is in a position to finance the planned future growth through acquisitions, cooperation projects and partnerships.

Forecast for the secunet Group

Taking into account the macroeconomic and industry-specific conditions outlined above and in view of existing growth potential, the Management Board is optimistic about the 2023 financial year. Significant sales growth to roughly 375 million euros (previous year: 347.2 million euros) is expected. Earnings before interest and taxes (EBIT) are expected to increase slightly to around 50 million euros (previous year: 47.0 million euros).

The most important cost item of the secunet Group is the cost of sales, which particularly includes personnel expenses and the materials expenses required for the product business. In 2023, the secunet Group will continue to recruit additional experts in a targeted fashion as well as to retain existing employees. As a result, the Management Board expects an increase in personnel expenses. A trending increase in the cost of materials is also expected in view of the planned business expansion as well as an anticipated surge in the price of intermediate products. The Management Board is of the opinion that rising purchase prices can generally be passed on to customers in the form of higher prices. In the case of existing orders or framework agreements, this cost transfer will be carried out with a time delay. Added together, this is expected to lead to a relative increase in the cost of sales in relation to sales revenues in the 2023 financial year. As a result, the EBIT margin is forecast to be slightly above 13%.

The forecast includes all information known to the Management Board at the time of preparing this report. The forecast assumes that the procurement situation on the global semiconductor markets will not deteriorate significantly. Insufficient supply of important components could lead to considerable restrictions and delays in customer projects. Additionally, the forecast was submitted under the assumption that the essential framework, such as economic and inflation developments as well as customers' propensity to invest, will not change negatively.

Forecast for secunet AG

secunet AG (the parent company of the secunet Group) is managed on the basis of the secunet Group's key figures. The future economic development of the company is directly dependent on the economic development of the Group. The statements from the Group's forecast report accordingly apply.

In the 2023 financial year, sales growth to around 344 million euros is expected along with an EBIT of around 48 million euros. In accordance with this, an EBIT margin of around 14% is anticipated.

Risk reporting in relation to financial management

The financial management of the Company and the Group has a clear focus on the regulations and requirements applicable under corporate law. This ensures that all Group companies can operate as going concerns.

secunet Group and its associated companies were in a position to fulfil their payment obligations at all times. The investment of liquid funds occurs on a strictly risk-minimising basis. The ongoing monitoring of liquid funds and the coordination with liquidity demands serve to ensure the ongoing ability to pay. This is also the main objective of financial management.

As at the reporting date of 31 December 2022, there was a temporary credit line of 45 million euros with Commerzbank AG, Frankfurt am Main. This served to proactively hedge the Group's liquidity.

Risk management and internal control system

An internal control system (hereinafter referred to as ICS) has been designed for secunet Security Networks AG and secunet Group, which specifically pursues the following three objectives:

» Reporting: ensuring the accuracy and reliability of internal and external financial and non-financial reporting

» Efficiency: ensuring the effectiveness and efficiency of business processes

» Compliance: supporting compliance with laws, regulations, contracts and internal policies

The ICS is divided into the following sub-areas:

- Controlling environment and objective of the ICS
- ICS process with risk assessment, controlling activities and reporting
- Information and communication
- Monitoring and improvement

The ICS comprises the principles, procedures and measures to ensure the effectiveness and efficiency of business activities, the correctness and reliability of internal and external accounting, and compliance with the legal regulations relevant to the Company. It also serves to detect risks arising from potential breaches of the law and/or endangering the Company's assets or targets. It is also an information system that supports the Management Board and all stakeholders in fulfilling their tasks.

The ICS organisation is integrated into secunet Group's corporate governance system. In addition to the ICS, which is primarily geared towards managing process risks, secunet Group maintains the other corporate governance systems of the risk management system, compliance management system and internal audit system. These systems are essentially operated in parallel with the ICS. The necessary integration is carried out by the respective system managers, among other things through the exchange of information in regular meetings as well as at the level of the responsible members of the Management Board.

All relevant (essential) processes and functions are included in the ICS. Roles and responsibilities are clearly defined within the ICS.

The ICS process is designed as a cycle:

- New creation of processes including description of processes, risks and controls
- Implementation and performance of control activities in the operational processes
- Regular effectiveness assessment and reporting
- Control self-assessment: The currently valid processes and process risks as well as the current status of the documentation in the ICS are compared. This determines whether the documented ICS corresponds to operational reality and whether the defined controls sufficiently cover the process risks. If this is not the case, the process owner must define additional controls or adapt the existing controls accordingly.
- Implement possible improvements from the effectiveness assessment and the control self-assessment in the controlling activities.

The ICS process is communicated within the Company by the ICS coordinator appointed by the Management Board. An IT solution is used for documentation of the ICS, the control confirmations and the self-assessment. Those responsible for the ICS process are trained in its use by the ICS coordinator.

Statement on the appropriateness and effectiveness of the governance systems[1]

In accordance with principles 4 and 5 of the German Corporate Governance Code (GCGC 2022), appropriate and effective governance systems (internal control system, risk management system and compliance management system) are required in the Company in order to deal responsibly with the risks of business activities.

As part of its ongoing internal steering and monitoring activities, the Management Board received and discussed regular reports on the governance systems during the 2022 financial year. In addition to the fulfilment of management tasks, these regular processes contribute to the continuous optimisation of these internal processes in the sense of a continuous improvement process. The Management Board is also supported in this by the internal audit department. The Management Board is not aware of any circumstances arising from its discussions of the governance systems that would call into question the appropriateness and effectiveness of these systems.

The Management Board also had the appropriateness and effectiveness of these systems assessed by external auditors in the 2022 financial year and, based on their reports, came to the following assessment:

» a. Internal control system (ICS): The ICS has been audited for appropriateness in accordance with ISAE 3000 based on IDW PS 982. No material findings arose from the audit, appropriateness was certified. Furthermore, we have no knowledge that the ICS is not effective. An external audit of the effectiveness of the ICS is planned for 2023. Additionally, a continuous review of the appropriateness and effectiveness of internal controls by Internal Audit will be introduced as a regular process from 2023.

» b. Risk management system (RMS): The RMS has been audited for appropriateness and, in certain sub-areas, effectiveness in accordance with IDW PS 981. Individual limiting findings and recommendations from the audit were incorporated into the continuous improvement process of the RMS.

» c. Compliance management system (CMS): The CMS has been audited for appropriateness and effectiveness in accordance with IDW PS 980. No material findings arose from the audit and the appropriateness and effectiveness of the CMS were certified.

[1] The section "Statement on the appropriateness and effectiveness of the governance systems" is not part of the management report and was not subjected to a substantive audit by the auditor.

Description of the key features of the accounting-related internal control and risk management system (pursuant to Section 289 (4) and Section 315 (4) HGB)

secunet Group's internal control and risk management system includes all principles, procedures and measures for ensuring the effectiveness, efficiency and correctness of the accounting system and also assures compliance with the applicable legal provisions.

secunet Group's internal control system consists of an internal steering system and an internal monitoring system. The Management Board of secunet AG – in its function as the managing body of the Company – has assigned responsibility for the internal steering system in secunet Group to the Risk Management department in secunet AG.

Process-integrated and process-independent monitoring measures are the cornerstone of secunet Group's internal monitoring system. In addition to manual process controls – such as the dual control principle – automatic IT process controls are also a key feature of the process-integrated measures. Furthermore, process-integrated monitoring is assured by means of committees such as the risk committee (RCM Committee) and by specific functions within the Group such as the Legal department. The internal audit department of secunet AG is involved in secunet Group's internal monitoring system through process-independent auditing functions.

The risk management system presented here primarily focuses on avoiding the occurrence of damage through risks.

Use of IT systems

In secunet-Group, accounting processes are mainly recorded by the ERP system provided by the manufacturer SAP.

Specific Group accounting-related risks

Specific risks related to Group accounting may result, for example, from the conclusion of unusual or complex transactions and from business transactions that are not routinely performed.

Key regulatory and controlling activities for ensuring the correctness and reliability of accounting within the Group

The controlling activities for assuring the correctness and reliability of the accounting system include tasks such as the analysis of circumstances and developments using specific analyses of key indicators. The separation of administrative, executive, billing and approval functions, and their performance by different individuals, reduce the possibility of fraudulent actions. The organisational measures also focus on recording restructuring or changes in the business activities of individual divisions in the Group accounting promptly and properly. They also ensure that in the event of changes to the IT systems for the underlying accounting in the affiliated companies, for example, the accounting processes are recorded in their entirety for the relevant periods. The internal control system also ensures the mapping of changes in the economic or legal environment of secunet Group and ensures that the Group accounting is adjusted in line with new legal provisions or amendments to such provisions.

The secunet Group accounting principles, which include compliance with International Financial Reporting Standards (IFRS), ensure that the companies included in the Consolidated Financial Statements of secunet AG follow consistent accounting and measurement policies.

The internal control system measures, which focus on the correctness and reliability of Group accounting, ensure that business transactions are recorded in good time and in accordance with the law and the Articles of Association. It is also ensured that inventories are carried out correctly and that assets and debts are reported, measured and declared appropriately in the Consolidated Financial Statements. Regulatory activities also ensure that reliable and transparent information is made available in the accounting documents.

The German subsidiaries and the parent company prepare their annual financial statements in accordance with German commercial law. As part of the consolidation process, the financial statements are reconciled by Group Accounting to commercial balance sheet II in accordance with IFRS as applicable in the EU, using uniform standards. The Consolidated Financial Statements are determined by consolidating capital, liabilities, expenses and income, as well as eliminating intra-Group results, in the aggregate balance sheet and income statement.

Restrictive details

In spite of the aforementioned internal organisation, control and monitoring structures, individual discretionary decisions, defective controls, criminal actions and other circumstances cannot be ruled out. This may lead to limited effectiveness and reliability of the internal control and risk management system used, to the extent that the Group-wide application of the system cannot absolutely guarantee security regarding the correct, complete and timely recording of facts in the Group accounting and in the annual financial statements of the individual companies.

Takeover-related information pursuant to Section 289a, sentence 1 and Section 315a, sentence 1 HGB

The Management Board of secunet Security Networks AG (hereinafter "secunet AG") provides the following information for the 2022 financial year in line with Section 289a, sentence 1 and Section 315a, sentence 1 HGB:

1. The share capital of secunet AG remains unchanged at 6,500,000 euros and is divided into 6,500,000 bearer shares with no par value. Each share entitles the holder to one vote at the Annual General Meeting of secunet AG.

2. A restriction on the transfer of shares of secunet AG may apply pursuant to the Foreign Trade and Payments Act (Außenwirtschaftsgesetz, AWG), owing to the products supplied by secunet AG. Section 5 (3), sentence 1, no. 2, AWG stipulates that "Restrictions … can in particular be imposed with reference to the acquisition of domestic companies or shares in such companies by foreigners in order to guarantee the essential security interests of the Federal Republic of Germany if the domestic companies … manufacture products with IT security functions to process classified state material or components essential to the IT security function of such products, or have manufactured such products, and still dispose of the technology if the overall product was licensed with the knowledge of the Company by the Federal Office for Information Security." Apart from the restrictions under the AWG, the shareholders of secunet AG are not restricted either by German law or by the Company's Articles of Association in their decisions on the acquisition or disposal of the Company's shares.as licensed with the knowledge of the Company by the Federal Office for Information Security. In particular, the acquisition and disposal of shares does not require the approval of the Company's corporate bodies or other shareholders in order to be valid. The voting rights of shareholders are not subject to any restrictions arising either from legislation or the Articles of Association of the Company. The Management Board is not aware of any agreements between shareholders that give rise to restrictions on the transfer of the Company's shares.

3. To the knowledge of the Management Board, 24.41% of the Company shares are free floating. To the Management Board's knowledge, direct and indirect capital holdings exceeding 10% of voting rights are held by Giesecke+Devrient GmbH, Munich, which had a direct stake of 75.12% as at 31 December 2022. MC Familiengesellschaft mbH, Munich, has an indirect holding of 75.58% in secunet AG (including the treasury shares held by secunet AG) via its participation in Giesecke+Devrient GmbH. In turn, Verena von Mitschke-Collande, Germany, likewise has an indirect holding of 75.58% in secunet AG via her majority holding in MC Familiengesellschaft mbH.

4. secunet AG has not issued any shares that grant special rights.

5. Like the rest of the Company's shareholders, employees and members of the Management Board who hold some of its capital also make their own decisions on the exercise of their voting and control rights and therefore exercise their control rights directly.

6. The Management Board of secunet AG is appointed and dismissed in accordance with the applicable legal provisions, in particular Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz, AktG). The Articles of Association do not contain any

special provisions governing the appointment and dismissal either of individual members or of the entire Management Board. The Supervisory Board has sole responsibility for its/their appointment and dismissal. It appoints members of the Management Board for a maximum term of five years. Members may be reappointed or have their term of office extended, in each case for a maximum of five years. In accordance with Section 179 AktG, changes to the Articles of Association require a decision by the Annual General Meeting; changes that only affect the wording may also be conferred to the Supervisory Board. The amendment becomes effective upon entry in the Commercial Register. In accordance with Article 22 of the Articles of Association, the resolutions of the Annual General Meeting require a simple majority of the votes cast, insofar as the Articles of Association or statutory legal provisions do not specify anything to the contrary. Article 10 (5) of the Articles of Association entitles the Supervisory Board to decide on amendments to the Articles of Association that only affect the wording.

7. The Management Board is not authorised to issue new shares. The Articles of Association of secunet AG do not provide for a contingent capital increase, nor do they include any authorisation for the Management Board to increase the share capital by issuing new shares in return for capital contribution (approved capital). Furthermore, as set out in Section 71 (1), no. 8, AktG, there is no authorisation to purchase treasury stock. As at 31 December 2022, the Company held 30,498 bearer shares, which it purchased on the basis of an authorisation issued during the Annual General Meeting held on 29 May 2001. As per resolution of the Annual General Meeting on 27 May 2009, the Management Board is entitled to divest these shares on a stock exchange with the agreement of the Supervisory Board. As at 31 December 2022, the Management Board of secunet AG had not made use of this authorisation.

8. The Company has no significant agreements that are contingent upon a change of control due to a takeover bid.

9. The Company has concluded no compensation agreements with any members of the Management Board or employees in the event of a takeover bid.

Management and control – reference to the Corporate Governance Statement pursuant to Sections 289f HGB and 315d HGB

As a German public company limited by shares, secunet Security Networks AG has a dual management and control structure. The Company and the Group are managed by the Management Board, whose members are appointed by the Supervisory Board. The Supervisory Board advises the Management Board and monitors its conduct of business.

A detailed explanation of the management of secunet Group can be found in the Corporate Governance Statement pursuant to Sections 289f HGB and 315d HGB, which is made available in this Annual Report and on the Company's website (www.secunet.com) under >> About us >> Investors >> Corporate Governance.

In accordance with Section 317 (2), sentence 6 of the German Commercial Code (HGB), the information in the Corporate Governance Statement is not included in the audit of the annual and consolidated financial statements.

Combined non-financial statement of the Company and the Group

About this statement

With this combined non-financial statement of the Company and the Group, secunet is meeting its obligation to disclose non-financial information for the 2022 financial year as set forth in the "Act to strengthen non-financial reporting by companies in their management reports and group management reports (CSR Directive Implementation Act, CSR-RUG)" pursuant to Sections 315b, 315c in conjunction with 289c – 289e of the German Commercial Code (HGB) and REGULATION (EU) 2020 / 852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019 / 2088. The present statement is accessible to the public together with the combined Management Report on the position of the Company and the Group on the Company's website (www.secunet.com) under >> About Us >> Investors >> Financial publications. The report applies equally to the secunet Group and secunet AG.

In accordance with Section 317 (2), sentence 4 of the HGB, the information in the combined non-financial statement of the Company and the Group is not included in the audit of the combined Management Report. Instead, the combined non-financial statement of the Company and the Group has been audited with limited assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in accordance with the requirements of the International Auditing Standard ISAE 3000 (Revised).

When preparing the non-financial statement, we adhere to the classification based on the statutory requirements pursuant to Section 289c HGB in the selection of relevant aspects and the description of concepts. We have refrained from using a framework. In order to focus on the clarity of reporting in relation to the requirements of the German Commercial Code (HGB), we have retained the structure of employee matters, social matters, responsible corporate governance and environmental matters from previous years. Within these matters, we have included the topics deemed to be material on the basis of the materiality analysis. The categories from the CSRD system (ESRS of the EFRAG) have already been incorporated here in initial approaches. For the purpose of preparing the non-financial statement, a dedicated internal process was established in order to analyse and evaluate the sustainability topics with respect to statutory requirements. In addition to the relevant specialist departments, the Company management is also involved in this process.

The basis for selecting the content of the material sustainability topics for the statement was a materiality analysis conducted in 2022. This analysis was performed through a dialogue with key stakeholders with regard to these matters within the Company: this involved the CTO, Compliance, HR and Quality and Environmental Management departments. Within the scope of the materiality analysis, we have already oriented ourselves to the approach of double materiality according to the planned CSRD: Those topics were deemed to be material that have a relevant impact on the respective aspects and / or on the business performance, the operating result and the position of secunet AG and secunet Group. Following this methodology, environmental matters and human rights were also assessed as material to the Group this year. The following topics were deemed to be material to the non-financial statement for the 2022 financial year:

Superordinate topic/ aspects according to HGB	Topics from the materiality analysis	In the following text to be found under
Governance/fundamental aspects of corporate governance	• Role of the Company's administrative, management and supervisory bodies • Risk management • Control systems	Introduction
Employee matters	• Working conditions • Equal treatment/ non-discrimination • Other work-related rights	Employee matters
Combating corruption and bribery	• Corruption, anti-competitive behaviour and bribery • Relations with suppliers • Employees in the value chain	Responsible corporate governance (compliance)
Social matters	• Consumers/end users	Social matters Digital sovereignty and data protection
Environmental matters	• Energy • Climate protection (emissions) • Adaptation to climate change • Use of resources • Circular economy	Environmental matters: Environmental management

The goal of secunet's sustainability activities is to generate a positive impact on the individual aspects with its products and services and to minimise negative consequences to the greatest extent possible. The materiality analysis was therefore followed by a risk analysis of the matters under consideration. To this end, the risks associated with the aspects of the matters were evaluated. The method of evaluating the risk scenarios associated with the individual non-financial aspects is consistent with the method used for evaluating corporate risks, which is described in the "Risk management objectives and methods" section of this Management Report. In doing so, net risk values were likewise applied, which were determined with consideration of the measures taken to minimise risk. Principal risks are defined in Section 289c (3), no. 3 and 4, as risks that are associated with the business activity and business relationships of the Company and the Group and are highly likely to have a severely negative impact on the aspects of the matters. The risk assessment did not identify any significant non-financial risks.

The Management Board of secunet AG was involved in the process of preparing and approving the non-financial statement.

secunet has recognised the strategic relevance of sustainability issues and the increasing demands of external stakeholders. In connection with the concerns identified as material, the Supervisory Board of secunet AG has adopted a remuneration system for members of the Management Board that has been applied since 2021. The remuneration system includes a long-term variable remuneration component based on non-financial performance targets, or ESG targets. The ESG targets, their weighting and the respective target achievement are determined by the Supervisory Board for each assessment period. The remuneration system for members of the Management Board of secunet AG is described in detail in the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG).

The importance of the Company's administrative, management and supervisory bodies for the sustainable orientation of secunet AG and secunet Group is not only reflected in the inclusion of sustainability issues in the remuneration system of the Management Board. The Supervisory Board and Management Board also deal with issues of sustainability and sustainability reporting and seek expert advice in this regard. secunet's control systems and risk management system, which are described in detail in this management report, also already take sustainability issues into account in various forms. The integration of sustainability issues into risk management and control systems is to be expanded further.

Business model

The business model of secunet Group and secunet AG as well as their resilience are described in detail in the "Principles of the Group" section of this combined Management Report for 2022. Responsible and sustainable conduct, social acceptance and a high degree of integrity are essential preconditions for the economic success of our Company. With this in mind, secunet, as one of the leading German providers of sophisticated IT security, has set itself the goal of contributing to sustainable economic, environmental and societal development.

When decisions are made on measures and management concepts relating to sustainability, relevant non-financial topics are reported to and discussed by the Management Board of secunet AG.

Employee matters

The creativity, motivation and integrity of our employees are decisive factors for the success of our Company. Their commitment, flexibility and expertise are part and parcel of the strengths our Company has been shown to possess. secunet implements various measures with the aim of providing employees with a working environment that promotes these strengths. The statements in this chapter refer to all companies of secunet Group with the exception of SysEleven GmbH, which was acquired in 2022 and is still in the integration process.

The staff members at secunet are permanent salaried employees working in Consulting, Development, Sales, Product Management, Administration and Services. They are joined by student trainees and interns and, in rare cases where there is a specific need, external staff (e.g. temporary workers) as stand-in personnel in administration departments. On account of the relative uniformity of these groups, the measures described below apply to all employees.

In addition to the permanent employees, secunet also engages freelancers in certain productive areas in order to overcome capacity bottlenecks or if highly specific expertise is required. Considering that the number of freelancers is low in relation to the permanent employees, the following statements concerning measures or key indicators apply exclusively to the permanent employees defined at the outset.

The overall responsibility for managing HR-specific topics lies with the relevant specialist department, which reports directly to the Chairman of the Management Board.

Employee management and development

The IT sector is growing at a far greater rate than the number of qualified workers available. Competition for the recruitment of experienced employees and junior staff talent is therefore fierce. In light of this, recruiting and junior staff development are becoming critical success factors in the long-term positive development of the Company.

For this reason, secunet is intent on being an appealing employer and maintaining an attractive image in the future too. To achieve this goal, secunet is pursuing a number of measures under the leadership of the HR department. One of the means of doing so is through a continuous exchange with the individual employees and the workforce as a whole.

In order to measure the satisfaction of the workforce (and to involve them in the design of working conditions), surveys are conducted regularly. The last survey took place in the first quarter of the 2021 financial year. The next survey is planned for 2023.

Concrete projects were derived from the results of the survey. The projects for the improvement of collaboration and processes, as well as leadership were launched in 2022. They are each under the sponsorship of a member of the Management Board and are staffed by employees from all departments. The implementation of the first results and measures from these projects is planned for the beginning of 2023.

In the area of personnel development, secunet is continuing the efforts of recent years. This includes strengthening the feedback culture in all directions – which is intended to allow for more in-depth, higher-quality feedback with regard to the respective activities. One essential component is the annual review meeting. The existing annual review meeting will be enhanced for this purpose. The review meeting is a standardised, structured dialogue during which the employee and the supervisor assess each other in a form of performance evaluation. At the same time, questions are asked about the employee's level of satisfaction with their work situation, any potential work overload and the desire for personal development. Among other things, the need for employee training is derived from this and a new holistic management development concept is implemented. Furthermore, a holistic human resources development concept for all employees is currently being drawn up, which will, among other things, focus on strengthening education and training activities. Conduct of the survey and implementation of the results are included as a non-financial component in the remuneration of the Management Board.

A revised career stage model was also introduced with effect from 1 February 2022, which focuses on market-driven and contemporary development paths and further development opportunities.

In order to create an attractive work environment and pleasant working conditions, fringe benefits such as free drinks and fruit, assistance in individual workplace design and the opportunity to lease company bicycles are offered.

Other measures are aimed at junior staff recruitment and continuous development of the existing workforce. This includes the ongoing qualification of permanent employees.

In 2022, the year under review, an average of about 1,197 euros was invested in training measures for each employee (excluding SysEleven), compared to an average of around 1,385 euros in 2021, 1,128 euros in 2020 and 1,190 euros in 2019. Since the fourth quarter of 2021, secunet employees have been able to access the very extensive and wide-ranging learning content and courses offered by the LinkedIn Learning platform for their individual development – secunet has acquired company-wide licences for this. The choice of content is entirely up to the individual.

Junior staff development and recruiting are also key factors in developing the secunet workforce. secunet operates sites in the vicinity of universities, providing opportunities for regular contact with potential employees of the future. secunet is able to secure employees for the coming years by offering students work placements during their studies, supporting them in writing their final dissertations and much more. Cooperation projects with universities are a further means of establishing networks and expanding the qualified workforce of secunet. Beyond this, secunet once again awarded a so-called Deutschlandstipendium (German Scholarship) in 2022 to promote young IT talent.

In the 2022 financial year, secunet resumed vocational apprentice training. Since August 2022, two apprentices in the commercial sector and two apprentices in the IT sector have been going through the corresponding training stages. Besides this, there is a trainee programme aimed at young graduates.

Wellbeing, occupational health and safety

It is a matter of course for secunet to comply with all relevant regulations and recognised standards on employee rights. Various measures that have an impact on the occupational health and safety of the workforce are in place. These include statutory occupational health and safety provisions. The occupational health and safety officers and the HR department of secunet, supported by the occupational physician service, carry out a number of measures in order to minimise work-related physical and mental stress. It is inherent in secunet's business model that most of the workforce's tasks are carried out within office buildings and at the employees' desks.

Accident prevention is another important aspect of health promotion to which secunet attaches great importance in its organisation. In the 2022 reporting year, a total of eight occupational accidents were registered in secunet Group (2021: eight) and reported to the relevant employers' liability insurance association. An occupational accident is a sudden event of external origin and limited duration, which damages the body and has a causal connection with the work activity at secunet. Occupational accidents also include accidents that occur during a business trip or when travelling between home and work (commuting accident).

secunet also enables its employees to have a free health check with the occupational physician service. In the 2022 reporting year, flu vaccination campaigns were also carried out at secunet's major locations.

Since 2020, secunet has been confronted with the coronavirus pandemic. The spread of the pandemic presented challenges for both secunet and its workforce. To date, the top priority in dealing with the pandemic has been health and safety within the workforce. Dealing with the requirements arising from the pandemic and, in particular, protecting and maintaining the health of the workforce have been on the agenda of a steering committee set up by secunet at the start of the pandemic and maintained continuously ever since. The steering committee exchanges information at regular intervals, monitors developments relating to the pandemic and decides on the necessary measures. In addition to the Management Board, the members of the steering committee also include managers from various Group divisions. Working from mobile offices has been the preferred form of work since March 2020 (Corona Mobile Office arrangement). Due to the equipment of the workforce with secure mobile workstations and thanks to the flexible reaction of the employees, secunet was able to cope well with the lockdown periods. If physical contact with other colleagues or business partners is necessary, the applicable legal regulations and the respective hygiene concept were be strictly observed.

This is supplemented by the Mobile Office arrangement originating from the employee survey, which allows employees complete freedom to determine their work environment on a dynamic basis. For the time after the coronavirus pandemic, this new Mobile Office arrangement provides that employees can opt for this model two days per week. Employees who do not necessarily have to work on site can use the shared desk arrangement, which stipulates being present one day per week at the respective location and that workstations are no longer permanently assigned but can be booked from a pool.

secunet offers its workforce the opportunity to structure and develop their own working hours to meet their individual needs. This allows every employee, within the framework of what is operationally possible, to organise their working hours, for example, to suit their needs with regard to their family, individual life situation or an appropriate work-life balance.

secunet not only sees diversity in its workforce as a source of enrichment, it also sees potential for success in the plurality of its employees. It is important to us that diversity and equal opportunities are lived out responsibly by all employees and the management and supervisory bodies in all areas of the Group and across all hierarchical levels, genders, religious views and nationalities.

By treating each other with trust and respect, secunet aims to create the necessary basis for enabling each individual employee to develop to the full. All employees, including management and supervisory bodies, must observe the secunet-wide principles of conduct and values of the Code of Conduct. Violations of these principles of conduct and values can be communicated to the appropriate bodies within the Group and Company via internal reporting channels.

In the 2022 reporting year, no reports of suspected violations or abuses against the principles set out in the Code of Conduct were submitted via these channels.

Other work-related rights

Other labour-related rights essentially include the fundamental principles of the ILO (International Labour Organisation):

- Freedom of association and the right to collective bargaining
- Elimination of forced labour
- Abolition of child labour
- Prohibition of discrimination in employment and occupation
- Occupational health and safety.

All basic principles have been adopted in Germany and incorporated into applicable law. Since secunet complies with all applicable legal requirements, a separate consideration is not necessary at this point. The implementation of the occupational health and safety requirements is described above.

Social matters: Digital sovereignty and data protection

Through its product portfolio, secunet makes a contribution to societal issues with regard to the needs for data protection and digital sovereignty. Data protection or informational self-determination is one of the fundamental rights of citizens in the European Union. Information security is an essential building block for ensuring effective data protection. Digital sovereignty refers to all efforts to achieve successful digitalisation without new structural, economic and political dependencies. Information security plays an essential role in this area as well.

secunet is one of the leading German providers of high-quality IT security. Our products and services are designed to assure information security, in particular by using cryptographic methods. Information security is, in itself, an essential precondition for digitalisation based on trust.

Moreover, information security lays a foundation for effective data protection. The applicable technical requirements, as set out in the EU GDPR for example, are supplemented by consultative approaches and coupled with organisational measures. We have structured our own internal processes to ensure a high level of data security and data protection. To this end, we have integrated comprehensive measures in our business processes and implemented due diligence processes. We pursue our corresponding objectives with the assistance of the IT security officer and the secunet data protection officer. secunet AG is certified according to ISO/IEC 27001:2013 and thus meets stringent quality standards with regard to in-house information security. The continuous refinement of associated technical and organisational security measures is indicative of our commitment to providing the greatest possible data protection. We communicate requirements on data security and data protection to our suppliers via the General Terms and Conditions, which form the basis for the provision of services.

Information security and data protection are of paramount importance in all our dealings with customers. Our IT security partnership with the Federal Republic of Germany as well as the extensive number of secunet products and solutions that have been approved and certified by the Federal Office for Information Security are good indicators of this. secunet also works towards ensuring data security and data protection by providing consultative services in the fields of information security systems and data protection. The increase in revenue and the growing proliferation of secunet solutions from year to year, particularly in the public sector, are proof that the number of customers who place their trust in secunet in this regard is rising.

One example of how secunet makes a positive contribution to society is the provision of secure mobile workstations that were needed for the home-based work of public authorities as a result of contact restrictions. Since the spring of 2020, at the onset of the coronavirus pandemic, many authorities have provided secure mobile workstations to their employees quickly and comprehensively. In order not to jeopardise security in the process, they have often opted for the SINA Workstation S. The SINA Workstation S is part of the SINA crypto system, which secunet developed on behalf of the German Federal Office for Information Security (BSI). The solution allows existing systems to be easily migrated to the secure SINA environment. Users then continue to work without restrictions in their familiar environment, for example in MS Windows, and access the public authority network securely.

Another contribution made by secunet to society is the equipment of medical providers with the healthcare connector. With the development and certification of the secunet konnektor, secunet has applied its experience in IT security to the healthcare sector. The secunet konnektor serves as a central element for medical practices, pharmacies and hospitals, for example, to connect their computer networks to the telematics infrastructure (TI). In the future, the resilient security infrastructure of the secunet konnektor will contribute, among other things, to enabling secure and fast retrieval of personal health data (such as previous illnesses), which are immediately required especially in emergency situations.

The secunet Communicator, a multicrypto telephone with a SECRET classification level, also makes an important contribution by securing communications at government level or for particularly affected organisations, especially in times of crisis with an even greater need for confidentiality and security.

The debate concerning digital sovereignty has its origins in the discussion about the security of 5G networks. The same situation has now emerged with cloud services. The focus here is on the dependencies that have already arisen and the difficulties of still providing a secure and available infrastructure despite this degree of dependency. Here, in particular, secunet translates the term "digital sovereignty" as freedom of choice for users who require cloud infrastructures for sensitive data (authorities, eHealth, critical infrastructures). Until now, these customers have often only been able to use large cloud operators from America or China. With SecuStack, we offer a certifiable and transparent solution with a high level of security as a cloud operating system that allows customers to build their own cloud infrastructure with a ready-to-use on-premise solution. But trustworthy operation at secunet subsidiary SysEleven is also planned. Consequently, technological building blocks for digital sovereignty – such as a cloud operating system, encryption, virtualisation and operational competence – are available. Harnessing and scaling them is predominantly a political decision.

Our products and solutions are primarily tailored to the needs of our customers. We attach corresponding importance to customer satisfaction. This has therefore been included in the non-financial components as an element of the variable Management Board remuneration from 2021 onwards. To measure customer satisfaction, a Net Promoter Score survey was conducted in 2021 and 2022.

secunet pays particular attention to anticipating technological developments. The research and development activities of secunet aim at improving and innovating processes, products and solutions. In this way secunet stays abreast of the growing need of its customers for higher security in existing infrastructures as well as for solutions dealing with threats in new technological environments.

Responsible corporate governance (compliance)

Integrity is our industry's highest asset. We live diversity, tolerance and openness and treat everyone with respect. We always act in accordance with legal regulations. In order to live these values and corporate principles, secunet has implemented a Compliance Management System that applies throughout the Group. With this, secunet defines uniform standards for key compliance issues across the Group.

As part of the Compliance Management System, an annual analysis of our compliance risks (compliance risk assessment) is carried out, in particular for the sub-areas of antitrust law and anticorruption. From this, preventive and / or required measures are derived, summarised as a compliance programme and implemented. Risk analysis is carried out both in the form of analyses at Group level and by means of structured interviews at the organisational level. In 2022, the compliance programme included employee training on compliance-related issues, business partner audits, the implementation of new processes and tools, the revision of various Company and Group policies, and general advice on compliance-specific issues.

The Management Board has the overall responsibility for ensuring that applicable laws are observed and compliance risks are monitored and mitigated. The Compliance Officer and his team are responsible for coordinating the Compliance Management System. He reports directly to the Chief Financial Officer on a weekly basis and to the Audit Committee and Supervisory Board of secunet AG on an annual basis. In addition to further developing the Compliance Management System, he draws up policies, advises employees, reviews contracts and codes, receives complaints and tip-offs, and coordinates the clarification of compliance cases.

In 2022, the appropriateness and effectiveness of the Compliance Management System was reviewed by an external audit. No material findings arose from the audit and the appropriateness and effectiveness of the CMS was certified.

Code of Conduct for Employees

One of the central elements of our Compliance Management System is the Code of Conduct, the principles of which must be observed by all secunet Group employees. The Management Board adopted a revised Code of Conduct in 2022. Since 2022, employees who join secunet Group have received a copy of the respective applicable Code of Conduct as an annex to their employment contract. In addition, the Code of Conduct is supplemented by several Group and Company policies. This binding framework helps employees to make the right decisions in their day-to-day work and follow the values of secunet Group.

Human rights

Compliance with internationally applicable human rights and labour standards is a matter of course for secunet. We respect and support the principles of the International Labour Organisation (ILO), the Supply Chain Act and the UN Global Compact. We do not tolerate any form of slavery or human trafficking. Any employment relationship entered into with secunet Group shall be on a voluntary basis and may be terminated by the contractual partner subject to a reasonable period of notice. The workforce is remunerated in accordance with the applicable German wage legislation as well as taking into account the minimum wage and legally prescribed fringe benefits.

The Code of Conduct reflects the ethical principles and defines the requirements, for example, in the areas of health and safety at work, non-discrimination as well as human rights and equal treatment. Via the whistleblower system, which is available on secunet's website for employees, suppliers, business partners and third parties, violations of human rights or labour rights or cases of discrimination can be reported personally or anonymously. Material violations would be reported to the Management Board.

The Compliance Officer has been appointed by the Management Board as secunet Group's Human Rights Officer. The Human Rights Officer is supported by the separate Sustainability department, which deals with both human rights issues and ESG aspects along the supply chain. The Human Rights Officer is informed by the Director Sustainability about current developments and potential incidents. There is a regular exchange of information.

secunet passes on to its business partners and suppliers its principles of conduct with regard to human rights, working conditions, environmental protection and business practices that comply with the law and are based on integrity. These principles of conduct are defined in the Code of Conduct for Suppliers and Business Partners. This was updated in 2022 and is binding for all suppliers and business partners. With the help of the Code, we want to oblige our suppliers and business partners to orientate themselves with our principles of conduct, to comply with them and to pass them on in their supply chain. This is an essential building block for fulfilling our social, ecological and economic responsibility in the supply chain.

Anticorruption

secunet is committed to fighting and countering all forms of corruption and bribery. We support national and international efforts in this regard. Part of the Code of Conduct is a zero tolerance policy with regard to any form of corruption and bribery. This principle is also laid down in the separate Anticorruption Policy that applies throughout the Group. secunet plans to join the UN Global Compact in 2023.

A fixed value limit is defined in the separate Anticorruption Policy, which regulates the granting of invitations to events and functions as well as donations and gifts. Employees are prohibited from offering or granting, directly or indirectly, money or money-like benefits to customers, suppliers or other business partners in order to influence their decisions or obtain improper advantages. This principle also applies in the reverse case. Furthermore, the Anticorruption Policy provides employees with a decision-making aid to determine the conditions under which a binding consultation with the Compliance Office is required. Particularly strict requirements apply to office holders and mandate holders, i.e. persons who are in a public service or official relationship.

The Code of Conduct includes a clear prohibition on corporate donations to political parties or candidates, holders of political office or representatives of public institutions. In 2022, Group-wide processes were introduced for handling sponsorship measures and planning events and functions, taking into account compliance aspects. Consequently, planned sponsorship measures, events and functions are checked for compliance risks as standard.

Employees of secunet Group are taught how to behave with integrity and in compliance with the rules in mandatory training courses. The training courses cover the topics of anticorruption and dealing with conflicts of interest. Furthermore, information on these topics is made permanently available on the intranet. The Compliance Office uses various communication channels (intranet, e-mails or an internal compliance blog) to inform the workforce about compliance-relevant requirements or innovations.

Contracts with business partners (distribution and consultancy contracts) are checked for compliance risks before they are concluded, extended or renewed. New advisors and sales partners are checked for integrity with the aid of a "Business Partner Questionnaire", among other things.

For the reporting year 2022, the Compliance Office received four notifications classified as relevant. After appropriate investigation, no suspicion of a report-relevant violation has arisen. Nor were any reports registered with the authorities responsible for secunet and communicated to secunet.

Compliance training

All employees of secunet Group are required to attend training courses on compliance-relevant topics every two years. A digital training tool was introduced for this purpose. The participation rate of the corresponding modules is 95% as at 31 December 2022. The participation rate for 2022 does not yet take SysEleven GmbH into account; a uniform training concept is planned here for 2023.

Whistleblowing

secunet expects all employees of the Group to comply with existing laws and policies. Personal or anonymous reporting channels are available for misconduct or a violation of laws or policies. No measures shall be taken to identify anonymous whistleblowers. Discrimination against whistleblowers and anyone who helps to promote correct behaviour will not be tolerated.

Incoming reports of misconduct or a violation of laws or policies will be acknowledged within seven days. Information on follow-up measures shall be provided within three months. The Compliance Officer handles incoming information confidentially. In the event of concrete indications of misconduct or a violation of laws or policies, further investigations will be initiated to clarify the facts.

The whistleblower system is not only available to employees of secunet Group, but also to suppliers, business partners and their employees and other third parties.

Environmental matters: Environmental management

The materiality analysis carried out for non-financial matters revealed that, for secunet, environmental aspects are only to be considered material to a limited extent. This is supported by the following recitals: secunet does not operate any energy-intensive production facilities. The equipment required for operations comprises the IT equipment of the employees, the company's own data centres, company vehicles and facilities. Packaging material is used, however, when hardware is sold and, at the end of the product life cycle, there is electronic scrap to dispose of. These impacts on the environment are therefore directly linked to our business operations.

Within secunet, general environmental protection guidelines are currently in place as part of the Code of Conduct that applies to the entire secunet Group. Climate change has been recognised by secunet as a challenge for sustainable business. The original plan was to develop an environmental management (system) in 2022 to accompany an environmental strategy with environmental objectives, measures and responsibilities, for example for the topics of climate protection, resource conservation and circular economy. This development was postponed until 2023, when an environmental management (system) certifiable according to ISO 14001 should be available to secunet AG. Environmental management covers the topics identified in the materiality analysis.

Since the 2021 financial year, climate protection has been one of the variable components in remuneration of the secunet AG Management Board. Information on the remuneration of the Management Board can be found in the remuneration report, which is part of this Annual Report. The climate protection targets relevant to remuneration are based on CO_2 emissions. This is why the systematic recording of the main sources of energy consumption (electricity and gas consumption as well as travel activities and the vehicle fleet) was already started in 2020 in order to determine our CO_2 footprint on this basis. We are working on the further development of the processes for recording greenhouse gas emissions in order to set targets for reducing emissions in the future. Since only green electricity has been purchased at all locations since 2022, the vehicle fleet and business travel have been identified as the main drivers of greenhouse gas emissions based on the current data. For this reason, company vehicles with lower CO_2 emissions are being promoted by means of lower leasing rates. In addition, secunet supports the purchase of company bicycles for all employees by way of bicycle leasing (once again excluding SysEleven GmbH).

secunet Group is obliged to perform an energy audit pursuant to DIN EN 16247-1. The most recent audit was carried out in September 2019. The next audit will take place in 2023 in accordance with the specified four-year cycle.

Furthermore, secunet encourages its suppliers to comply with legal regulations on the return and environmentally compatible disposal of electrical and electronic equipment as well as regulations on electromagnetic compatibility and to ensure that the resulting obligations are met. Further measures regarding circular economy and resource conservation are being developed.

EU Taxonomy

As part of its Action Plan on Financing Sustainable Growth, the European Union aims to redirect capital flows towards sustainable investment. Against this backdrop, the EU Taxonomy Regulation came into force in mid-2020, classifying which economic activities are considered environmentally sustainable in the EU.

The EU has currently published standards for sustainable economic activities as defined by the Taxonomy Regulation for the first two environmental objectives (climate change mitigation and climate change adaptation). The publication of the remaining four environmental goals (“sustainable use and protection of water and marine resources”, “transition to a circular economy”, “pollution prevention and control”, “protection and restoration of biodiversity and ecosystems”) are pending and are therefore not considered for the current reporting year. The description of economic activities in the delegated acts determines which economic activities may, in principle, be regarded as "taxonomy-eligible economic activities". Only taxonomy-eligible economic activities may be considered environmentally sustainable upon meeting certain technical screening criteria. If an economic activity fulfils the criteria set out in Art. 3 of the EU Taxonomy Regulation of 2020/852 , it is to be classified as environmentally sustainable and thus taxonomy-compliant.

Delegated Regulation 2022/1214 of 9 March 2022 on nuclear power and natural gas is not applicable. Therefore, the reporting forms specific to these activities are not provided.

In the reporting year 2021, only the shares of taxonomy-eligible and non-taxonomy-eligible economic activities in sales revenue, capital expenditure (CapEx) and operating expenditure (OpEx) had to be disclosed in accordance with the relief granted by the EU. For the reporting year 2022, the extent to which the taxonomy-eligible economic activities meet the technical assessment criteria and minimum requirements must also be disclosed in order to be able to demonstrate taxonomy compliance.

In principle, all fully consolidated Group companies are included in this analysis with regard to their sales revenues, capital expenditure and operating expenditure.

Analysis of taxonomy eligibility

In an increasingly connected world, secunet's combination of products and consulting assures resilient digital infrastructures and the utmost protection for data, applications and digital identities. secunet specialises in areas with particular security requirements, such as eGovernment, eHealth as well as IIoT and cloud computing. With security solutions from secunet, companies can maintain security standards in digitalisation projects and thus expedite their digital transformation. A cross-functional project team was formed to identify secunet Group's taxonomy-eligible economic activities. A detailed analysis of the turnover, capital expenditure and operating expenses was carried out to identify potentially taxonomy-eligible economic activities. Both the items reported in the consolidated income statement and internal financial KPIs were used for this purpose.

As a result of the analysis, economic activities 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles", 7.7 "Acquisition and ownership of buildings" and 8.1 "Data processing, hosting and related activities" were classified as taxonomy-eligible. The vast majority of the Group's business activities do not conform to the descriptions of economic activities as contained in the EU Taxonomy Regulation as is reflected in the analysis findings. This results in rather small percentages for the taxonomy-eligible shares of the KPIs.

secunet's EU Taxonomy KPIs

	Taxonomy-eligible proportion	Non-taxonomy-eligible proportion
Sales revenue	2%	98%
Capital expenditure (CapEx)	16%	84%
Operating expenses (OpEx)	–%	100%

Key figures on taxonomy-eligible economic activities

On the basis of Section 289 (1) of the German Commercial Code (HGB), secunet is obliged to apply the regulatory provisions of the Taxonomy Regulation. Pursuant to Section 315e (1) HGB, the Consolidated Financial Statements of secunet as at 31 December 2022 have been prepared in accordance with IFRS. The amounts used for calculation of the turnover, CapEx and OpEx KPIs are correspondingly based on the figures reported in the Consolidated Financial Statements. Based on an analysis of the economic activities, the proportion of taxonomy-eligible turnover / capital expenditure (CapEx) and operating expenses (OpEx) in the respective secunet Group values is stated for the 2022 financial year.

Sales revenues:

The sales revenue reported in the consolidated income statement is quantified in the amount of 347.2 million euros for the reporting year 2022. This amount is the denominator under the EU Taxonomy Regulation. The sum of the sales revenues of the taxonomy-eligible economic activities for the financial year 2022 constitutes the numerator. In order to determine whether sales revenues are derived from taxonomy-eligible economic activities within the meaning of Annexes I and II of Delegated Regulation 2021 / 2139, a detailed analysis is carried out of the items received in sales revenues. For the reporting year 2022, taxonomy-compliant sales revenues were identified for the first time. These result from the acquisition of SysEleven GmbH in the financial year. SysEleven operates its own cloud infrastructure and rents it out to business customers, supplemented by other cloud services, including the Kubernetes platform MetaKube, as well as consulting and IT services.

Due to the clear identifiability of the value contributions to the turnover KPI, double counting can be excluded.

Capital expenditure (CapEx):

At secunet, the CapEx KPI indicates the proportion of capital expenditure that is either associated with a taxonomy-eligible economic activity or relates to the acquisition of products and services resulting from a taxonomy-eligible economic activity. The basis of the capital expenditure comprises the additions to property, plant and equipment and intangible assets and right-of-use assets from leases (including rent adjustments) during the financial year under review, before depreciation and any revaluations for the financial year concerned and excluding changes in fair value. This also applies to corresponding additions resulting from business combinations.

The capital expenditure (CapEx) calculated in this manner and reported in Chapters 3 "Property, plant and equipment", 4 "Intangible assets", and 5 "Leases" amounts to 43.6 million euros for the reporting year 2022.

The sum of the additions reflecting taxonomy-eligible investments form the numerator of the CapEx KPI. Outside its core business, secunet can potentially make a contribution to climate change mitigation with its investments in the vehicle fleet (6.5. Transport by motorbikes, passenger cars and light commercial vehicles (Annex I)), in buildings (7.7. Acquisition and ownership of buildings (Annex I)) and in data processing (8.1. Data processing, hosting and related activities (Annex I)).

Due to the clear identifiability of the value contributions to the Capex KPI, double counting can be excluded.

Operating expenses (OpEx):
At secunet, the key performance indicator OpEx indicates the proportion of operating expenses associated with taxonomy-eligible economic activities or with the acquisition of products from a taxonomy-eligible economic activity. To calculate the taxonomy-eligible OpEx share, those financial accounts that reflect the direct, non-capitalised costs for research and development (R&D) expenses, building refurbishment measures, short-term leasing, maintenance and repair expenses were used to determine the denominator.

The numerator results from an analysis of the recognised expenses that have been recorded with the above accounts and that are related to the assets with regard to their taxonomy eligibility. The analysis showed that no taxonomy-eligible operating expenses can be taken into account.

For the taxonomy-eligible shares in OpEx, double counting was excluded during the audit by cross-comparing the different economic activities.

The following economic activities of secunet were classified as taxonomy-eligible for the environmental goal of climate protection:

Taxonomy-eligible activity	Description of the activity	Assignment at secunet
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Vehicle fleet	CapEx
7.7 Acquisition and ownership of buildings	Buildings	CapEx
8.1 Data processing, hosting and related activities	SysEleven GmbH cloud infrastructure and cloud services	Sales revenues, CapEx

Analysis of taxonomy compliance

Building on the identified taxonomy-compliant economic activities, secunet carried out an analysis of taxonomy compliance (alignment) for the first time. It was assessed whether the economic activities make a significant contribution to the achievement of one or more environmental objectives and do not lead to a significant impairment of one or more environmental objectives. Subsequently, the verification of compliance with the technical evaluation criteria was to be carried out. Finally, compliance with minimum social protection must be ensured. If the requirements are met, an economic activity can be classified as taxonomy compliant.

In connection with the analysis, documents were requested from our stakeholders and discussions were held against the background of the alignment.

Economic activities 6.5 (Transport by motorbikes, passenger cars and light commercial vehicles) and 7.7 (Acquisition of and ownership of buildings)

secunet exchanges services with various stakeholders for the economic activities mentioned. The Group incurs capital expenditure that is to be classified under the definition of Capex c) (section 1.1.2.2. of Delegated Regulation 2021/2178). In order to analyse compliance, documentation was requested from various stakeholders, especially leasing providers, to assess the above criteria. No information was provided to secunet in sufficient detail for the 2022 financial year. An assessment of taxonomy compliance could therefore not be fully carried out on this basis.

Economic activity 8.1 (Data processing, hosting and related activities)

SysEleven GmbH's data processing, hosting and related activities relate to CapEx a) and OpEx a) (sections 1.1.2.2. and 1.1.3.2. of Delegated Regulation 2021/2178). The technical assessment criteria are not met in the reporting year, as the refrigerants used in the cooling system of the data centres (e.g. F-gases) have a greenhouse gas potential higher than the limits prescribed by the regulations. No F-gases leaked in the reporting year.

As a result, no economic activity currently meets the criteria, which is why it is not possible to report EU taxonomy compliance for secunet Group in the 2022 financial year. secunet aims to improve data availability and quality for the next reporting year.

Share of sales revenue from goods or services related to taxonomy-compliant economic activities – disclosure for the year 2022

				Criteria for a significant contribution					
Economic activities (1)	Code(s) (2)	Absolute sales revenue (3)	Sales revenue share (4)	Climate protection (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Environmental pollution (9)	Biodiversity and ecosystems (10)
		Currency	(%)	(%)	(%)	(%)	(%)	(%)	(%)
A TAXONOMY-ELIGIBLE ACTIVITY									
A.1 Ecologically sustainable activity (taxonomy-compliant)									
Sales revenue for environmentally sustainable activity (taxonomy-compliant (A.1))		0.00 €	—%						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-compliant)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0.00 €	—%						
Acquisition and ownership of buildings	7.7	0.00 €	—%						
Data processing, hosting and related activities	8.1	8,479,238.32 €	2%						
Sales revenue for taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-compliant activities (A.2))		8,479,238.32 €	2%						
Total (A.1 + A.2)		8,479,238.32 €	2%						
B NON-TAXONOMY-ELIGIBLE ACTIVITIES									
Sales revenue for non-taxonomy-eligible activities (B)		338,745,519.95 €	98%						
Overall (A+B)		347,224,758.27 €	100%						

	DNSH criteria ("no significant impairment")										
	Climate protection (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Environmental pollution (15)	Biodiversity and ecosystems (16)	Climate protection (17)	Taxonomy-compliant share of sales revenue for 2022 (18)	Taxonomy-compliant share of sales revenue for 2021 (19)	Category (enabling activities) (20)	Category ("transitional activities") (21)
	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	Percent	Percent	E	T

Share of capital expenditure (CapEx)
associated with taxonomy-compliant economic activities – disclosure for the year 2022

				Criteria for a significant contribution					
Economic activities (1)	Code(s) (2)	Absolute sales revenue (3)	CapEx Share (4)	Climate protection (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Environmental pollution (9)	Biodiversity and ecosystems (10)
		Currency	(%)	(%)	(%)	(%)	(%)	(%)	(%)
A TAXONOMY-ELIGIBLE ACTIVITY									
A.1 Ecologically sustainable activity (taxonomy-compliant)									
CapEx for environmentally sustainable activity (taxonomy-compliant (A.1))		0.00 €	—%						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-compliant)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	425,162.22 €	1%						
Acquisition and ownership of buildings	7.7	4,112,761.22 €	9%						
Data processing, hosting and related activities	8.1	2,318,519.27 €	5%						
CapEx for taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-compliant activities (A.2))		6,856,442.71 €	16%						
Total (A.1 + A.2)		6,856,442.71 €	16%						
B NON-TAXONOMY-ELIGIBLE ACTIVITIES									
CapEx for non-taxonomy-eligible activities (B)		36,763,088.01 €	84%						
Overall (A+B)		43,619,530.72 €	100%						

	DNSH criteria ("no significant impairment")										
	Climate protection (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Environmental pollution (15)	Biodiversity and ecosystems (16)	Climate protection (17)	Taxonomy-compliant CapEx share for 2022 (18)	Taxonomy-compliant CapEx share for 2021 (19)	Category (enabling activities) (20)	Category ("transitional activities") (21)
	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	Percent	Percent	E	T
[redacted]											
[redacted]											
[redacted]											
[redacted]											

Share of operating expenses (OpEx) associated with taxonomy-compliant economic activities – disclosure for the year 2022

				Criteria for a significant contribution					
Economic activities (1)	Code(s) (2)	Absolute sales revenue (3)	OpEx share (4)	Climate protection (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Environmental pollution (9)	Biodiversity and ecosystems (10)
		Currency	(%)	(%)	(%)	(%)	(%)	(%)	(%)
A TAXONOMY-ELIGIBLE ACTIVITY									
A.1 Ecologically sustainable activity (taxonomy-compliant)									
OpEx for environmentally sustainable activity (taxonomy-compliant (A.1))		0.00 €	—%						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-compliant)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0.00 €	—%						
Acquisition and ownership of buildings	7.7	0.00 €	—%						
Data processing, hosting and related activities	8.1	0.00 €	—%						
OpEx for taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-compliant activities (A.2))		0.00 €	—%						
Total (A.1 + A.2)		0.00 €	—%						
B NON-TAXONOMY-ELIGIBLE ACTIVITIES									
OpEx for non-taxonomy-eligible activities (B)		10,968,463.16 €	100%						
Overall (A+B)		10,968,463.16 €	100%						

	DNSH criteria ("no significant impairment")										
	Climate protection (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Environmental pollution (15)	Biodiversity and ecosystems (16)	Climate protection (17)	Taxonomy-compliant OpEx share for 2022 (18)	Taxonomy-compliant OpEx share for 2021 (19)	Category (enabling activities) (20)	Category ("transitional activities") (21)
	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	Percent	Percent	E	T
[redacted]											

Management Board report pursuant to Section 312 (3) AktG

Pursuant to Section 312 (3) of the German Stock Corporation Act (AktG), the Management Board has issued a report on the relations with affiliated companies for the 2022 financial year. The report contains the following closing statement: "It is hereby declared that, according to the circumstances known to the Management Board in which the legal transaction was undertaken, our Company received an appropriate consideration for each of the legal transactions listed and was not disadvantaged. This assessment has been made on the basis of the circumstances known at the time of the reportable proceedings. There were no further reportable legal transactions, measures or omissions in addition to the activities reported."

Essen, 21 March 2023

Axel Deininger	Torsten Henn
Dr Kai Martius	Thomas Pleines

3. Consolidated Financial Statements

of secunet Security Networks Aktiengesellschaft, Essen

Consolidated Financial Statements

of secunet Security Networks Aktiengesellschaft, Essen

Consolidated balance sheet

(according to IFRS) as at 31 December 2022

Assets

in euros	Note	31 Dec 2022	31 Dec 2021
Current assets			
Cash and cash equivalents	1	21,479,549.36	119,476,061.19
Trade receivables	2, 11	75,818,259.18	31,703,067.78
Intercompany financial assets	2	304,018.98	124,011.53
Contract assets	2, 11	2,596,942.21	3,946,989.09
Inventories	7	72,298,654.03	50,073,088.25
Other current assets	2	6,084,621.52	3,751,333.41
Income tax receivables		1,174,591.64	0.00
Total current assets		**179,756,636.92**	**209,074,551.25**
Non-current assets			
Property, plant and equipment	3	10,720,417.00	7,629,143.38
Right-of-use assets	5	18,288,681.46	17,109,040.57
Intangible assets	4	39,006,599.04	13,234,004.81
Goodwill	6	47,627,601.69	10,322,966.13
Non-current financial assets	8	6,549,879.00	6,414,381.00
Trade receivables	2, 11	0.00	1,575,669.48
Deferred taxes	9	2,547,651.27	2,680,603.90
Other non-current assets	2	10,922,602.38	5,980,822.34
Total non-current assets		**135,663,431.84**	**64,946,631.61**
Total assets		**315,420,068.76**	**274,021,182.86**

Liabilities

in euros	Note	31 Dec 2022	31 Dec 2021
Current liabilities			
Trade accounts payable	10	36,185,965.84	23,276,779.95
Intercompany payables	10	79,789.82	102,952.71
Lease liabilities	5, 10	3,947,364.31	3,132,248.03
Short-term loans and current portion of long-term loans	10	312,500.00	0.00
Other provisions	13	17,211,643.67	24,181,873.57
Income tax liabilities	10	3,068,902.97	9,105,676.54
Other current liabilities	10	12,290,604.69	4,546,725.61
Contract liabilities	10, 11	30,231,243.38	20,889,875.70
Total current liabilities		**103,328,014.68**	**85,236,132.11**
Non-current liabilities			
Lease liabilities	5, 10	14,709,981.23	14,277,862.90
Other non-current liabilities	10	12,638,551.04	0.00
Deferred taxes	9	11,999,696.98	4,253,671.95
Provisions for pensions	12	5,604,437.00	8,030,046.00
Other provisions	13	1,585,725.88	2,306,469.40
Contract liabilities	10, 11	37,562,964.37	30,093,159.77
Liabilities to banks	10	156,250.00	0.00
Total non-current liabilities		**84,257,606.50**	**58,961,210.02**
Equity			
Subscribed capital	15	6,500,000.00	6,500,000.00
Capital reserves	15	21,922,005.80	21,922,005.80
Other reserves	15	-211,218.99	-1,737,932.33
Retained earnings	15	99,378,962.70	102,876,356.60
Equity attributable to parent company shareholders		**127,589,749.51**	**129,560,430.07**
Non-controlling interests	**15**	**244,698.07**	**263,410.66**
Total equity	**15**	**127,834,447.58**	**129,823,840.73**
Total liabilities		**315,420,068.76**	**274,021,182.86**

Consolidated income statement

(According to IFRS) for the period from 1 January 2022 to 31 December 2022

in euros	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Sales revenue	16	347,224,758.27	337,620,237.25
Cost of sales		-257,070,106.71	-236,013,880.11
Gross profit on sales		**90,154,651.56**	**101,606,357.14**
Selling expenses		-22,741,856.56	-21,902,970.56
Research and development costs	18	-9,846,186.85	-7,505,955.34
General administrative costs		-10,345,851.22	-8,330,635.38
Impairment losses / impairment reversals on trade receivables and contract assets	3	-103,748.75	39,032.00
Other operating income		0.00	11,397.42
Other operating expenses		-104,364.36	-38,613.71
Earnings before interest and taxes (EBIT)		**47,012,643.82**	**63,878,611.57**
Interest income	19	26,989.84	5,631.49
Interest expenses	19	-509,626.98	-294,855.99
Other financial result		183,967.79	0.00
Earnings before taxes (EBT)		**46,713,974.47**	**63,589,387.07**
Income taxes	20	-15,424,160.20	-20,609,089.53
Group profit for the period		**31,289,814.27**	**42,980,297.54**
of which attributable to shareholders of secunet AG		31,308,526.86	43,097,334.71
of which attributable to non-controlling interests	15	-18,712.59	-117,037.17
Earnings per share (diluted / undiluted)		4.84	6.66
Average number of shares outstanding (diluted / undiluted, units)		6,469,502	6,469,502

Group statement of comprehensive income

(according to IFRS) for the period from 1 January 2022 to 31 December 2022

in euros	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Group profit for the period		31,289,814.27	42,980,297.54
Items not reclassified to the income statement			
Revaluation of defined benefit pension plans	15	2,638,810.00	750,447.00
Income tax attributable to components of the other comprehensive income / loss		-843,627.56	-239,993.00
		1,795,182.44	**510,454.00**
Items that can be reclassified to the income statement			
Realisation of currency conversion differences due to deconsolidation	15	-268,469.10	0.00
Other comprehensive income / loss		**1,526,713.34**	**510,454.00**
Consolidated comprehensive income / loss		**32,816,527.61**	**43,490,751.54**
of which attributable to shareholders of secunet AG		32,835,240.20	43,607,788.71
of which attributable to non-controlling interests		-18,712.59	-117,037.17

Consolidated cash flow statement

(according to IFRS) for the period from 1 January 2022 to 31 December 2022

in euros	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Cash flow from operating activities		
Earnings before taxes (EBT)	46,713,974.47	63,589,387.07
Depreciation and amortisation of tangible and intangible fixed assets	14,872,042.07	9,933,084.86
Other non-cash income	-178,578.39	-182,112.36
Changes in provisions	-7,848,781.33	6,204,700.52
Book losses on the sale of intangible assets and of property, plant and equipment	84,676.00	25,840.29
Interest result	482,637.14	289,224.50
Change in receivables, contract assets, inventories and other assets	-68,066,247.46	-4,971,917.90
Change in liabilities and contract liabilities	34,948,560.48	3,449,492.82
Tax paid	-24,973,175.31	-24,573,757.43
Cash outflow / inflow from operating activities	**-3,964,892.33**	**53,763,942.37**
Cash flow from investing activities		
Purchase of intangible assets and of property, plant and equipment	-5,543,556.41	-6,780,942.00
Payments received for grants	0.00	863,650.00
Proceeds from the sale of intangible assets and of property, plant and equipment	38,456.00	21,921.71
Purchase of financial assets	-240,198.00	-61,619.64
Proceeds from financial assets	104,700.00	104,700.00
Acquisition of subsidiaries less cash and cash equivalents acquired	-48,858,953.09	-9,856,733.46
Cash outflow from investing activities	**-54,499,551.50**	**-15,709,023.39**
Cash flow from financing activities		
Proceeds from short-term or long-term loans	731,887.44	0.00
Dividend payment	-34,805,920.76	-16,432,535.08
Repayment portion of lease payments	-4,709,840.92	-3,592,458.22
Interest received	26,989.84	5,631.49
Interest paid	-407,087.17	-208,085.99
Loan repayments	-368,096.43	0.00
Cash outflow from financing activities	**-39,532,068.00**	**-20,227,447.80**
Effects of exchange rate changes on cash and cash equivalents	0.00	0.00
Change in cash and cash equivalents	**-97,996,511.83**	**17,827,471.18**
Cash and cash equivalents at the beginning of the period	119,476,061.19	101,648,590.01
Cash and cash equivalents at the end of the period	**21,479,549.36**	**119,476,061.19**

For further explanations, see Note 21.

Consolidated statement of changes in equity

(according to IFRS) for the period from 1 January 2022 to 31 December 2022

			Other reserves	
in euros	Subscribed capital	Capital reserves	Reserve for treasury shares	Currency conversion differences from the currency conversion of financial statements of foreign subsidiaries
Equity as at 31 Dec 2020 / 1 Jan 2021	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**268,469.10**
Group profit 1 Jan – 31 Dec 2021			**0.00**	**0.00**
Other comprehensive income / loss 1 Jan – 31 Dec 2021			0.00	0.00
Consolidated comprehensive income 1 Jan – 31 Dec 2021			**0.00**	**0.00**
Dividend payment			0.00	0.00
Equity as at 31 Dec 2021 / 1 Jan 2022	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**268,469.10**
Group profit 1 Jan – 31 Dec 2022			0.00	0.00
Other comprehensive income / loss 1 Jan – 31 Dec 2022			0.00	-268,469.10
Consolidated comprehensive income 1 Jan – 31 Dec 2022			**0.00**	**-268,469.10**
Dividend payment			0.00	0.00
Equity as at 31 Dec 2022	**6,500,000.00**	**21,922,005.80**	**-103,739.83**	**0.00**

For further information on the development of the Group's equity, see Note 15.

Other reserves						
Revaluation of the defined benefit pension plans	Income tax attributable to components of the other comprehensive income/loss	Total other reserves	Retained earnings	Equity of secunet AG shareholders	Non-controlling interests	Total
-3,580,763.20	1,167,647.60	-2,248,386.33	76,211,556.97	102,385,176.44	380,447.83	102,765,624.27
0.00	0.00	0.00	43,097,334.71	43,097,334.71	-117,037.17	42,980,297.54
750,447.00	-239,993.00	510,454.00	0.00	510,454.00	0.00	510,454.00
750,447.00	-239,993.00	510,454.00	43,097,334.71	43,607,788.71	-117,037.17	43,490,751.54
0.00	0.00	0.00	-16,432,535.08	-16,432,535.08	0.00	-16,432,535.08
-2,830,316.20	927,654.60	-1,737,932.33	102,876,356.60	129,560,430.07	263,410.66	129,823,840.73
0.00	0.00	0.00	31,308,526.86	31,308,526.86	-18,712.59	31,289,814.27
2,638,810.00	-843,627.56	1,526,713.34	0.00	1,526,713.34	0.00	1,526,713.34
2,638,810.00	-843,627.56	1,526,713.34	31,308,526.86	32,835,240.20	-18,712.59	32,816,527.61
0.00	0.00	0.00	-34,805,920.76	-34,805,920.76	0.00	-34,805,920.76
-191,506.20	84,027.04	-211,218.99	99,378,962.70	127,589,749.51	244,698.07	127,834,447.58

Notes to the Consolidated Financial Statements

for the 2022 financial year (according to IFRS)

General principles

Reporting company

secunet Security Networks Aktiengesellschaft (hereinafter referred to as "secunet AG" or "secunet") is registered with Essen Local Court, Germany (under HRB 13615). It is a listed company in the Prime Standard segment of the regulated market in Frankfurt. The address of the company's registered office is: secunet Security Networks Aktiengesellschaft, Kurfürstenstrasse 58, 45138 Essen, Germany.

secunet Group (hereinafter "secunet") and secunet Security Networks Aktiengesellschaft, Essen, are a German provider of high-quality cybersecurity solutions and IT security partner of the Federal Republic of Germany. secunet offers public sector clients and private sector companies a comprehensive portfolio of products and consulting services for the protection of data, infrastructures and digital identities as well as for information transmission, storage and processing. This includes, above all, network components with BSI-approved encryption technology up to the highest security level.

secunet covers the entire value chain from analysis and design to development, integration, operation, maintenance and support of the solutions. The portfolio is generally geared towards large-scale infrastructures and focuses on areas in which there are special requirements on IT security – such as the cloud, the Internet of Things, eGovernment, eHealth and biometrics.

Declaration of compliance with IFRS

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The requirements of Sections 315, 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB) have been met. The IFRS standards used consist of the IFRS as newly issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC). All standards and interpretations issued by the IASB and applicable at the time of preparation of the Consolidated Financial Statements have been implemented, provided that they have been endorsed by the EU. In this respect the Consolidated Financial Statements of secunet AG comply with IFRS.

The Consolidated Financial Statements and the combined Management Report – Company and Group Management Report were released by the Management Board on 21 March 2023 following their preparation.

Disclosure

The Consolidated Financial Statements – as well as the Annual Financial Statements of secunet AG – are filed with the operator of the central register of companies and subsequently published in said register. They are available for download on the website https://www.secunet.com/en/about-us/investors. They may also be requested from secunet AG at the above address or inspected at the Company's business premises.

Parent company

The parent company is Giesecke+Devrient GmbH based in Munich, Germany. It holds a direct share of 75.12% in secunet AG.

Via the Consolidated Financial Statements of Giesecke+Devrient GmbH, Munich (smallest consolidated group), the Consolidated Financial Statements of secunet AG are included in the Consolidated Financial Statements of MC Familiengesellschaft mbH, Munich, which prepares the Consolidated Financial Statements for the largest group of companies. The Consolidated Financial Statements of MC Familiengesellschaft mbH and Giesecke+Devrient GmbH are filed with the operator of the central register of companies.

First-time adoption of new and revised standards and interpretations

Compared with the Consolidated Financial Statements as at 31 December 2021, the following new and revised standards and interpretations were to be applied for the first time following the EU endorsement or entry into force of the standard/interpretation:

Standard/interpretation	Key amendment	Entry into force for financial years commencing on or after:
Revised standards		
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to AIP 2018–2020	IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022

The application of the modified standards did not have any material impact on the Consolidated Financial Statements.

New accounting rules

The following standards and interpretations had been published at the time the Financial Statements were prepared but were either not yet required to be applied in accordance with the provisions of the respective standard or interpretation, or had not yet been endorsed by the EU.

Standard / interpretation	Key amendment	First-time adoption
New standards (EU endorsement completed by 31 December 2022)		
IFRS 17	Insurance Contracts	FY 2023
Amended standards (EU endorsement completed by 31 December 2022)		
Amendments to IAS 1	Disclosure of Accounting Policies	FY 2023
Amendments to IAS 8	Definition of Accounting Estimates	FY 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	FY 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 19 – Comparative Information	FY 2023
Amended standards (not yet endorsed by the EU)		
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, including Deferral of Effective Date	FY 2024
Amendments to IFRS 16	Lease liability in the case of a sale-and-leaseback	FY 2024
Amendments to IAS 1	Non-current liabilities with covenants	FY 2024

An early adoption of these standards and interpretations is not planned.

No material effects on the secunet Consolidated Financial Statements are expected to result from adopting the new and amended standards and interpretations.

Accounting principles

The present Consolidated Financial Statements as at 31 December 2022, with the exception of the amendments due to the first-time adoption of new or amended IAS / IFRS provisions above, have been prepared using the same accounting and measurement methods and the same methods of computation as in the previous year. Items in the balance sheet as at 31 December 2022 are classified by maturity. The income statement is based on the cost of sales method. In order to improve the clarity of presentation, various items in the consolidated balance sheet and consolidated income statement have been summarised and are explained in the notes.

The Consolidated Financial Statements of secunet AG are presented in euros. All amounts are stated in euros, unless indicated otherwise.

Consolidated Group

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

The consolidated Group has changed compared to the previous year. SysEleven GmbH, Berlin, was included in the consolidated Group by acquisition as at the initial consolidation date of 31 May 2022.

Effective 31 March 2022, the company secunet s.r.o., Prague, Czech Republic, was deconsolidated, as the company was finally deleted from the commercial register. The effect on income resulting from the deconsolidation (0.2 million euros) is insignificant.

As at 31 December 2022, the consolidated Group consisted of the parent company secunet AG and six (previous year: six) fully consolidated subsidiaries.

In accordance with IFRS, the subsidiaries report the following figures:

Company	Registered office	Equity holdinge	Non-controlling interests	Equity as at 31 Dec 2022	Net income for 2022
secunet International GmbH&Co. KG	Essen	100%	0%	80 kEUR	3,223 kEUR
secunet International Management GmbH	Essen	100%	0%	54 kEUR	5 kEUR
secustack GmbH	Dresden	51%	49%	548 kEUR	-38 kEUR
finally safe GmbH	Essen	100%	0%	54 kEUR	-169 kEUR
stashcat GmbH	Hanover	100%	0%	2,285 kEUR	-1,191 kEUR
SysEleven GmbH	Berlin	100%	0%	21,949 kEUR	-2,052 kEUR

secunet Inc., Austin, Texas (USA), 100% participation, is no longer operational and has not been consolidated since the 2002 financial year on the grounds that it is not material.

The Group's accounting and measurement policies are applied consistently to the financial statements of secunet AG and its subsidiaries included in the Consolidated Financial Statements. The reporting date for secunet AG and for all consolidated companies is 31 December 2022.

The wholly-owned subsidiary secunet International GmbH&Co. KG, which is fully included in these Consolidated Financial Statements, makes use of the exemption provisions of Section 264b HGB for the 2022 financial year with regard to disclosure requirements. secunet International Management GmbH is a partner with unlimited liability of secunet International GmbH&Co. KG.

Initial consolidation of SysEleven GmbH, Berlin

In May 2022, 100% of SysEleven GmbH was acquired. SysEleven GmbH is a provider of hosting and cloud services. secunet exercises control over SysEleven GmbH through the majority of voting rights as of the effective date. The company is fully consolidated. The date of initial consolidation is 31 May 2022.

The consideration amounts to 61.3 million euros and consists of the contractually agreed purchase price in cash of 50.2 million euros and an earn-out clause in the amount of 11.1 million euros, which can increase to a maximum of 15 million euros. The amount of the earn-out clause payment is based on qualitative and quantitative targets for the financial years 2022 and 2023. The quantitative targets are based on the cumulative minimum values for sales and earnings from the financial years 2022 and 2023. The qualitative targets are made up of criteria from SysEleven GmbH's business operations. Based on a calculation of the probabilities of occurrence and a weighting of the factors, a fair value of 11.1 million euros was calculated for the earn-out clause. If the targets are not met, no payment will be made.

Expenses of 1.5 million euros were incurred in connection with the acquisition. These were included in general administrative costs.

The acquisition was made with the goal of providing secunet Security Networks AG's customers with an additional secure cloud infrastructure offering.

The fair values of the acquired assets and liabilities recognised at the acquisition date are as follows:

in thousand euros	
Intangible assets	31,220
Property, plant and equipment	2,319
Receivables and other assets	1,279
Cash and cash equivalents	1,545
Prepaid expenses and accrued income	619
Provisions	536
Liabilities	2,370
Liabilities to banks	703
Deferred tax liabilities	9,373

Intangible assets are mainly composed of the customer base, brand and software solutions. The useful lives are between five and twelve years.

The goodwill resulting from the business combination amounts to 37.3 million euros. No tax-relevant goodwill resulted from this transaction.

The goodwill is attributable to the strong market position of SysEleven GmbH in the segment of GDPR-compliant cloud platforms, the availability of highly qualified specialists, as well as the expansion of the range of services and the synergies arising in the Public Sector division from the business combination.

In the context of reporting as at 30 June 2022, only provisional values for intangible assets, goodwill and deferred taxes could be included in the Consolidated Financial Statements. After completion of the purchase price allocation, intangible assets increased by 12.1 million euros. At the same time, an increase of 3.4 million euros in deferred tax liabilities was recognised. The goodwill disclosed has thus decreased by 9.3 million euros.

For the tangible assets, receivables and other assets, liabilities, and cash and cash equivalents, the carrying amounts are considered to be a reasonable approximation of fair value.

It is considered unlikely that the trade receivables will be uncollectible.

Since the date of initial consolidation, 8,389 thousand euros in sales and -2,053 thousand euros in net income have been recognised for SysEleven GmbH in the Consolidated Financial Statements.

If the initial consolidation had already taken place on 1 January 2022, Group sales would have totalled 353.6 million euros. Group profit would have amounted to 30.1 million euros.

Basis of consolidation

Capital consolidation is carried out in accordance with the purchase method. When consolidated for the first time, the acquisition cost of the shareholdings acquired is offset against the remeasured equity. The assets and liabilities of the acquired subsidiary are recognised at their fair values. Any remaining positive differences are capitalised as goodwill in accordance with IFRS 3 and subjected to an annual impairment test.

Non-controlling interests are initially measured at their proportionate share of the identifiable net assets of the acquired company at the time of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Both expenses and income, and receivables and payables between the consolidated companies are eliminated. Intercompany profits are eliminated unless they are immaterial.

Write-downs of shares in consolidated companies that have been carried out in individual financial statements as well as intercompany receivables are reversed within the framework of consolidation.

Reporting currency

The Group's reporting currency is euros.

Following IAS 21 (Effects of Changes in Foreign Exchange Rates), foreign subsidiaries' Annual Financial Statements prepared in foreign currency are converted into euros in accordance with the functional currency concept. The functional currency in this context is the currency of the primary economic environment in which the subsidiary is active. In the Consolidated Financial Statements, the balance sheet items of all foreign companies are converted from the local currency into euros at the average exchange rates prevailing on the balance sheet date, as the functional currencies of the foreign subsidiaries are their local currencies; the income statement items are converted using the average exchange rate for the financial year. Equity items are translated using historical exchange rates. Differences arising from the conversion of Annual Financial Statements of foreign subsidiaries are treated without affecting the operating result and are recorded in the currency conversion reserve.

For the currency conversion, the following exchange rates were used in respect of currencies of countries not belonging to the European Monetary Union:

	2022	2021
1 EUR =	CZK	CZK
31 Dec	24.1685	24.9031
Average	24.5660	24.8580

Financial instruments

Recognition and initial measurement

Trade receivables are recognised at the time they arise. They are measured at the transaction price.

Financial assets and financial liabilities are recognised if a Group company is party to the agreement on the financial instrument. Financial assets or financial liabilities are initially recognised at the fair value. If the change in fair value is not recognised through profit or loss (FVTPL), the transaction costs directly attributable to the acquisition are added.

Classification and subsequent measurement

They are grouped into one of the following categories at the time of acquisition:

» At amortised cost

» FVOCI debt instruments (investments in debt instruments carried at fair value with changes in other comprehensive income)

» FVOCI equity instruments (equity investments carried at fair value with changes in other comprehensive income)

» FVTPL (at fair value with changes in fair value reported in profit or loss)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if the following cumulative conditions are met and it has not been designated as FVTPL:

» It is held within a business model whose objective is to hold financial assets for the purpose of collecting the contractual cash flows, and

» the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated as FVOCI if both of the following conditions are met and it has not been designated as FVTPL:

- It is held within a business model whose objective is both to hold financial assets for the purpose of collecting the contractual cash flows and to sell financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading purposes, the Group may irrevocably elect to report subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably decide to designate financial assets that otherwise qualify for measurement at amortised cost or at FVOCI as FVTPL if this serves to eliminate or significantly reduce accounting mismatches.

The Group makes an assessment of the objectives of the business model in which the financial asset is held at a portfolio level. In the past, secunet Group acquired all financial instruments exclusively for the purpose of holding them to collect interest and principal payments. On this basis, it is assumed that this will also apply in the future.

For the purpose of assessing the cash flow criterion, in other words whether the contractual cash flows are exclusively interest and principal payments on the principal amount (fair value at initial recognition), the Group considers the contractual agreements relating to the instrument. This includes an assessment of whether the financial asset contains a contractual agreement that could change the timing or amount of the contractual cash flows with the effect that they no longer meet these conditions.

When making this assessment, the Group takes into account:

- specific events that would change the amount or timing of cash flows
- conditions that would adjust the interest rate, including variable interest rates
- early repayment and extension options, and
- conditions that restrict the Group's entitlement to cash flows from a particular asset (for example, no right of recourse).

An early repayment option is consistent with the criterion of exclusive interest and principal payments if the early repayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal; this may include reasonable additional compensation for early termination of the contract.

In addition, a condition for a financial asset acquired at a premium or discount on the contractual nominal amount that permits or requires early repayment at an amount that substantially represents the contractual nominal amount plus accrued (but unpaid) contractual interest (which may include reasonable additional compensation for early termination of the contract) is treated as consistent with the criterion, provided the fair value of the early repayment option at the beginning is not significant.

Subsequent measurement and recognition of gains and losses

Financial assets at FVTPL / Financial liabilities at FVTPL

These assets and liabilities are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

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.

There are currently no issues for financial assets at FVTPL.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairments are recognised in profit or loss. A gain or loss resulting from derecognition is reported accordingly.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairments are recognised in profit or loss. Other net gains and losses are recorded under other comprehensive income / loss. On derecognition, the accumulated other comprehensive income is reclassified to profit or loss. There are currently no items in this category.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly serves to cover part of the investment cost. Other net gains and losses are recorded under other comprehensive income / loss and never reclassified to profit or loss. There are currently no items in this category.

Derecognition

The Group derecognises a financial asset when the contractual rights with regard to the cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards incidental to ownership of the financial asset are transferred.

Derecognition also takes place if the Group neither transfers nor retains all significant risks and rewards incidental to ownership and does not retain control of the transferred asset.

The Group derecognises a financial liability when the contractual obligations have been fulfilled, cancelled or have expired. Furthermore, the Group also derecognises a financial liability if its contractual terms are changed and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognised at fair value based on the revised terms.

When a financial liability is derecognised, the difference between the carrying amount of the extinguished liability and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and cash equivalents

The Group regards all highly liquid assets for which withdrawal or usage is not restricted as cash and cash equivalents. Alongside cash in hand and deposits held at call with banks, these also include short-term bank deposits with original maturities of three months or less. The measurement takes place based on the relevant nominal value.

Contract assets

Services already rendered in connection with customer projects but not yet invoiced to the customer are recorded under contract assets.

Inventories

Inventories, which consist almost exclusively of trade goods, are measured at the lower of historical cost or cost of production, or net realisable value less costs not yet incurred. Historical cost is calculated in accordance with the weighted average cost method.

Finished goods and work in progress are valued at the cost of acquisition of the materials used and the cost of production.

Property, plant and equipment

Property, plant and equipment consist not only of office and operating equipment, but generally also of assets under construction and are measured at historical cost or production cost less regular depreciation. When items of property, plant and equipment are disposed of or retired, their historical costs or production costs, accumulated depreciation and impairment are eliminated from the balance sheet and the gain or loss resulting from their sale is recognised in the income statement. Historical costs also include individually attributable additional and subsequent costs of acquisition. Purchase price reductions are offset.

Subsequent costs are only included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

The depreciation period is based on the useful economic life and is between three and ten years. Depreciation is on a straight-line basis.

The assets' carrying amounts and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets

Intangible assets with a finite useful life acquired for a consideration are measured at historical cost plus additional costs of acquisition less accumulated amortisation calculated using the straight-line method. Acquired software is amortised over three to seven years on a straight-line basis.

Costs incurred in preserving the original economic benefits of existing software systems are recognised as an expense when the maintenance work is carried out.

Internally produced intangible assets are capitalised if the criteria in IAS 38.57 are fulfilled. Direct costs as well as attributable indirect costs are used on the basis of hourly rates as well as purchased third-party services. Amortisation of the intangible asset begins at the time of operational readiness.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired company at the date of the acquisition.

Under IFRS 3 in conjunction with IAS 36 and IAS 38, goodwill is not subject to scheduled amortisation. It is instead subjected to an annual impairment test and carried at original historical cost less accumulated impairment losses.

Where a cash-generating unit is sold, the relevant share of goodwill attributable to that unit is taken into account when calculating the profit from the sale.

Impairment of assets

Assets that are subject to scheduled amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of the impairment test, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where there is an indication that the impairment no longer exists or has decreased, the impairment reversal is recognised as income in the income statement for the asset in question. There were no unscheduled impairments or impairment reversals in the reporting year.

In impairment testing, goodwill acquired in a business combination is allocated to those cash-generating units that are expected to benefit from the synergies arising from the business combination. Impairment testing is carried out on an annual basis and additionally whenever there are indications of impairment in the respective cash-generating unit.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, the carrying amount of the goodwill allocated to this cash-generating unit must be reduced by the amount of the difference. Impairment losses already recognised are not reversed in this process. If the impairment of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the remaining impairment loss is recognised by reducing, on a pro-rata basis, the carrying amounts of the cash-generating unit's identifiable assets.

Income taxes

Income taxes comprise all current taxes based on the result for the year as well as deferred taxes. In accordance with IAS 12 (Income Taxes), deferred taxes are recognised, using the liability method, for all temporary differences arising between the carrying amounts of assets and liabilities for IFRS accounting purposes and the amounts used for tax purposes. Deferred tax assets may also comprise tax reduction claims that arise from the expected use of existing loss carryforwards in subsequent years. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated using the tax rates that are expected to apply at the time of realisation in accordance with the legal regulations valid at the balance sheet date. Deferred tax is recognised in the income statement as tax income or expense, except to the extent that it is directly linked to equity or items included in other comprehensive income / loss. Deferred taxes resulting from the accounting of right-of-use assets and lease liabilities are shown netted.

Leases

At the start of a contract, the Group assesses whether the contract constitutes or contains a lease. This is the case if the contract grants the right to control the use of an identified asset for a specified period of time in return for the payment of a consideration. In order to assess whether a contract contains the right to control an identified asset, the Group uses the definition of a lease in accordance with IFRS 16.

This method is applied to contracts concluded on or after 1 January 2019.

Lessee

On the date of provision or when a contract containing a lease component is amended, the Group separates the contractually agreed consideration into lease and non-lease components on the basis of the relative stand-alone selling prices.

On the date of provision, the Group recognises an asset for the right of use granted and a lease liability. The right-of-use asset is initially measured at cost, which is equal to the initial measurement of the lease liability, adjusted for payments made on or before the date of provision, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site at which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is amortised on a straight-line basis from the date of provision to the end of the lease term unless ownership of the underlying asset is transferred to the lessee at the end of the lease term or the cost of the right-of-use asset takes into account the fact that the lessee will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in accordance with the rules for property, plant and equipment. Additionally, the right-of-use asset is adjusted continuously – where necessary – for impairment and to take specific revaluations of the lease liability into account.

For the first time, the lease liability is recognised at the present value of the lease payments not yet made at the date of provision, discounted at the underlying interest rate of the lease or, if this cannot be readily determined, at the lessee's incremental borrowing rate. The Group normally uses its incremental borrowing rate as the discount rate.

The lease payments included in the measurement of lease liabilities comprise fixed payments, amounts that are expected to be paid on the basis of a residual value guarantee and the exercise price of a purchase option if the lessee is sufficiently certain to exercise it.

Lease payments for lease extension options are taken into account if the lessee is sufficiently certain to exercise them.

The lease liability is measured at amortised cost using the effective interest method. Interest expenses are included in the financial result, and the payments made reduce the carrying amount of the lease liability. It is remeasured if future lease payments change due to a change in the index or (interest) rate, if the lessee adjusts its estimate of the expected payments under a residual value guarantee, if the lessee changes its assessment regarding the exercise of a purchase, extension or termination option or if a de facto fixed lease payment changes.

In the case of such remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or, if the carrying amount of the right-of-use asset has been reduced to zero, this adjustment is recognised in the income statement.

The Group has decided not to recognise right-of-use assets and lease liabilities for leases based on low-value assets and for short-term leases, including IT equipment. The lessee recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

Other provisions

Other provisions comprise all legal and constructive obligations towards third parties identifiable at the balance sheet date that are based on past events, where the amount can be reliably estimated, and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The provisions are recognised in the amount of the best estimate of the expected settlement value. Possible claims for reimbursement are not offset against the provisions.

Provisions for pensions

In accordance with IAS 19, pension provisions are measured using the projected unit credit method for defined benefit plans. This means that future obligations are measured using actuarial methods to estimate the relevant variables and to determine their present value.

All actuarial gains and losses are recorded in the other comprehensive income/loss as they arise and without affecting the operating result. Reported pension provisions are based on actuarial certificates issued by an independent actuary.

Pension commitments under defined contribution plans are recognised in the relevant functional areas as expenses for employee services in the period during which the employee provides the related services.

Share-based remuneration

secunet has remuneration plans under which the members of the Management Board of secunet AG are granted virtual shares which are settled entirely in cash at the end of a four-year performance period. The fair value at the time of allocation is determined using recognised financial models and reported as an expense over the vesting period with a corresponding provision being recognised. The provision is revalued at each balance sheet date within the performance period and at the time of payment. Changes in fair value are recognised in the operating result.

Contract liabilities

Income received before the balance sheet date is deferred as a contract liability to the extent that it results in revenue after that date.

Equity

The subscribed capital is 6,500,000 euros. It is divided into 6,500,000 bearer shares without par value. All shares are fully paid.

Of secunet AG's capital reserves, 1,902,005.80 euros results from payments by the shareholder before the transformation of secunet AG into a public limited company. The price premium paid in the initial public offering accounts for 20,020,000.00 euros of the total. The capital reserves are available – subject to statutory regulations – for the purposes of offsetting any losses incurred and for capital increases from the Company's own funds.

The other reserves include the reserve for treasury shares and the other comprehensive income / loss.

Treasury shares are shares in secunet AG held by the Company itself. The acquisition of treasury shares is shown in the Consolidated Financial Statements as a change in equity (reserve for treasury shares). No gain or loss is shown in the income statement for the sale, issue or recalling of treasury shares. The consideration in such transactions is recognised in the Consolidated Financial Statements as a change in equity.

Profits from the current financial year and the previous years that are not paid out to shareholders are recognised in the retained earnings.

Non-controlling interests

Non-controlling interests are initially measured at their proportionate share of the identifiable net assets of the acquired company at the time of acquisition.

The non-controlling interests' share of the Group profit or loss leads to an increase or decrease in the non-controlling interests.

Changes in the Group's interest in a subsidiary that do not result in a change of control are accounted for as equity transactions.

Sales revenue recognition

secunet Group realises its revenue through the sale of hardware, licences, service and maintenance, both separately and in product bundles, and through the provision of services as part of service and work contracts. Payments are typically due within 30-90 days.

I. Separate sale of hardware or licences

For the separate sale of hardware or licences, the breakdown into contractual obligations is unnecessary, since each respective individual sale represents a contractual obligation. With regard to the sale of hardware, revenue is recognised in line with IFRS 15 at the time at which the customer takes control of the asset. In the case of licence transfers, IFRS 15 necessitates an assessment as to whether the customer receives access or a right of use as a result. This shall determine whether sales revenue is recognised over time or at a point in time.

II. Sale of product bundles

The sale of product bundles is a transaction involving multiple elements according to IFRS 15. IFRS 15 requires the separable, independent contractual obligations within a product bundle to be identified in the case of multiple-element transactions. Subsequently, it must be determined whether the revenue is recognised over time or at a point in time for each of these contractual obligations. When doing so, the focus should be on the general principles for sales revenue recognition, as outlined above.

For the services included in the product bundles (for example, software subscription, Service Level Agreements, support services or extended warranties), discretionary decisions must be used to determine whether these are separate respective contractual obligations or whether these services form a service bundle in combination with another contractual obligation from the product bundle.

The allocation of the total transaction price to the individual performance obligations is based on individual selling prices.

III. Provision of services

The provision of services occurs both on the basis of service contracts and on the basis of work contracts within the Group.

Service contracts

Generally, consulting services involving the temporal coincidence of service provision and service consumption are provided in the form of service contracts. According to the nature of a service contract, it is the provision of the service that is owed, rather than the result.

Pursuant to IFRS 15.35, the service in these cases is recognised over the period during which the service is provided in accordance with the share of the total service provided (output-oriented).

Work contracts

With respect to the work contracts, the result is owed, which constitutes a distinguishing characteristic between these and the service contracts, meaning that in the wider sense, an asset is created for the customer. The Group has no alternative way to use this asset. The Group uses this type of contract to cover mainly customer-specific software developments, but also licence sales with extensive customisation.

In the case of these work contracts, the sales revenue must be recognised in relation to the percentage of completion (IFRS 15.39). The percentage of completion is estimated on the basis of the costs incurred in relation to the expected total costs (input-oriented).

Assumptions and estimates

In the preparation of the Consolidated Financial Statements, assumptions and estimates were made that affected the reported amounts of assets, liabilities, income and expenses. These assumptions and estimates relate primarily to an estimate of the useful life for depreciable tangible and intangible assets (see Notes 3 and 4), the impairment of receivables (see Note 2), the recognition and measurement of provisions (see Notes 12 and 13), the capitalisation of deferred taxes on loss carryforwards (see Note 9) and the recognition of revenue in the case of services (see section on sales revenue recognition in this Chapter). For the purposes of calculating the value in use of the cash-generating units, as part of the impairment test for the goodwill, estimates and assumptions are required for determining the future cash flows from the cash-generating unit and for calculating the discount interest rate (see Note 6). Estimates and assumptions also play a role in the purchase price allocation within the scope of initial consolidations. Here, particularly in the determination of the discount interest rate for the useful life and the determination of licence fees.

Actuarial gains and losses from the pension provision calculation are recorded in other comprehensive income / loss without affecting the operating result. In some cases, actual results may differ from these estimates and assumptions. Changes are taken into account in the income statement at the time when better knowledge becomes available.

Since the outbreak of war in Ukraine in February 2022, various geopolitical and economic dislocations have been observed. The business activities of the secunet Group are still not directly affected. Indirect impacts on business development – such as rising electricity, energy and raw material prices, continuing supply restrictions for intermediate products (especially semiconductors) and the associated risk of continued high or rising inflation rates with negative impacts on the willingness to invest, and as a result of further interest rate increases – are associated with uncertainty from today's perspective. As the Management Board considers these risks to be manageable overall, there were no significant adjustments to the assumptions and estimates on which the recognition and measurement were based.

Furthermore, the impairment tests performed on goodwill (see Note 6), other intangible assets and property, plant and equipment (see Notes 3 and 4), deferred tax assets (see Note 9), trade receivables and contract assets (see Note 2) did not result in any impairment losses in this connection.

Climate change does not give rise to any risks or opportunities for secunet AG's business.

Grants

In accordance with the option provided by IAS 20.24 and IAS 20.27, government grants for assets are offset directly against the acquisition / production costs of the subsidised asset and thus represent a reduction in the cost of acquisition. The grants are recognised on a pro-rata basis in the income statement in the form of lower depreciation. In the 2022 financial year, grants amounting to 0.8 million euros were received (previous year: 0.9 million euros) for this.

Other grants are recognised as income in the period in which the entitlement arises.

Discretionary decisions

Discretion is exercised when determining cash-generating units for the purpose of goodwill impairment testing (see Note 6), when categorising financial assets and liabilities (see Notes 2 and 8) and when determining interest rates for lease accounting (see Note 5).

Notes to the balance sheet

The balance sheet is classified into non-current and current assets and liabilities. Assets and liabilities due within one year are recognised as current.

In accordance with IAS 12, deferred tax balances are recognised as non-current assets and liabilities.

1. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

The movement in cash and cash equivalents is shown in the consolidated cash flow statement.

2. Receivables and other assets, contract assets

The trade receivables amount to 75,818,259.18 euros (previous year: 33,278,737.26 euros).

In the year under review, contract assets of 2,596,942.21 euros (previous year: 3,946,989.09 euros) were reported for services already rendered in connection with customer projects but not yet invoiced (thereof 0.00 euros to affiliated companies; previous year: 38,657.00 euros).

Intercompany financial assets amount to 304,018.98 euros (previous year: 124,011.53 euros) and, as in the previous year, result in full from trade receivables.

The maturities of all the trade receivables are as follows:

Days overdue

in euros	31 Dec 2022	31 Dec 2021
Not due	64,477,435.67	25,029,871.30
1–30	9,272,475.00	8,221,109.00
31–90	2,480,588.00	15,376.00
91–180	12,933.00	36,695.00
181–360	16,185.00	70,435.00
>360	42,182.00	108,783.00
Total	**76,301,798.67**	**33,482,269.30**

The valuation allowance for trade receivables and contract assets was as follows:

in euros	2022	2021
As at 1 Jan	**79,520.51**	**130,391.79**
Amounts written off	-3,748.75	-11,839.28
Revaluation of allowances	103,748.75	-39,032.00
As at 31 Dec	**179,520.51**	**79,520.51**

A specific valuation allowance is posted to a separate valuation allowance account in cases where receivables are clearly overdue (>180 days) and owed from non-public-sector clients or in the event of special information in individual cases. The receivable is derecognised in the income statement in the event of established insolvency or in cases where the receivable is estimated to be irrecoverable for other reasons.

In the case of trade receivables from third parties that are not subject to a specific valuation allowance, an allowance is calculated on a collective basis for the amount of the expected credit losses over the term of the receivables. Calculation of the expected losses on a collective basis is based on an impairment matrix containing an analysis of historical data over the last five years. The collective allowance is already to be recognised by applying historical data when the trade receivable from third parties is initially recognised and is to be adjusted at each reporting date on the basis of current information and expectations.

Receivables and other assets that are not yet due and not individually impaired are assessed by the Management Board to be recoverable. This assessment is based on past experience, the customer structure and long-term business relationships.

Additions to and reversal of valuation allowances are disclosed separately in the income statement under the item "Impairment reversals/impairment losses on trade receivables and contract assets".

The other current and non-current assets totalling 17,007,223.90 euros (previous year: 9,732,155.75 euros) predominantly concern other receivables from suppliers, advance payments for travel expenses, prepayments for future services and other receivables. No impairments were made.

3. Property, plant and equipment

The changes in property, plant and equipment may be summarised as follows:

	2022			2021		
in euros	Assets under construction	Office and operating equipment	Property, plant and equipment	Assets under construction	Office and operating equipmentg	Property, plant and equipment
Accumulated historical cost as at 1 Jan	41,683.38	23,631,496.36	23,673,179.74	18,509.84	19,995,077.88	20,013,587.72
Change in the consolidated Group	0.00	2,318,519.27	2,318,519.27	0.00	392,807.50	392,807.50
Additions	0.00	4,884,181.45	4,884,181.45	41,683.38	4,418,386.89	4,460,070.27
Reclassifications	-41,683.38	41,683.38	0.00	-18,509.84	18,509.84	0.00
Disposals	0.00	-1,059,203.18	-1,059,203.18	0.00	-1,193,285.75	-1,193,285.75
As at 31 Dec	**0.00**	**29,816,677.28**	**29,816,677.28**	**41,683.38**	**23,631,496.36**	**23,673,179.74**
Accumulated depreciation as at 1 Jan	0.00	16,044,036.36	16,044,036.36	0.00	13,668,834.88	13,668,834.88
Change in the consolidated Group	0.00	0.00	0.00	0.00	157,511.36	157,511.36
Additions	0.00	3,988,295.10	3,988,295.10	0.00	3,375,239.87	3,375,239.87
Disposals	0.00	-936,071.18	-936,071.18	0.00	-1,157,549.75	-1,157,549.75
As at 31 Dec	**0.00**	**19,096,260.28**	**19,096,260.28**	**0.00**	**16,044,036.36**	**16,044,036.36**
Carrying amount as at 31 Dec	**0.00**	**10,720,417.00**	**10,720,417.00**	**41,683.38**	**7,587,460.00**	**7,629,143.38**

There were no restrictions on disposal or fixed assets pledged to lenders.

4. Intangible assets

The changes in intangible assets may be summarised as follows:

	2022		
in euros	Internally generated intangible assets	Purchased intangible assets	Total intangible assets
Accumulated historical cost as at 1 Jan	7,476,705.00	13,621,830.95	21,098,535.95
Change in the consolidated Group	0.00	31,219,531.60	31,219,531.60
Additions	200,000.00	459,374.96	659,374.96
Disposals	0.00	-52,528.37	-52,528.37
As at 31 Dec	**7,676,705.00**	**45,248,209.14**	**52,924,914.14**
Accumulated depreciation as at 1 Jan	2,619,592.00	5,244,939.14	7,864,531.14
Additions	1,379,969.00	4,726,343.33	6,106,312.33
Disposals	0.00	-52,528.37	-52,528.37
As at 31 Dec	**3,999,561.00**	**9,918,754.10**	**13,918,315.10**
Carrying amount as at 31 Dec	**3,677,144.00**	**35,329,455.04**	**39,006,599.04**

	2021		
in euros	Internally generated intangible assets	Purchased intangible assets	Total intangible assets
Accumulated historical cost as at 1 Jan	6,280,250.00	6,444,595.19	12,724,845.19
Change in the consolidated Group	0.00	7,023,324.04	7,023,324.04
Additions	1,196,455.00	220,890.61	1,417,345.61
Disposals	0.00	-66,978.89	-66,978.89
As at 31 Dec	**7,476,705.00**	**13,621,830.95**	**21,098,535.95**
Accumulated depreciation as at 1 Jan	1,672,500.00	2,846,548.66	4,519,048.66
Change in the consolidated Group	0.00	550,224.04	550,224.04
Additions	947,092.00	1,903,119.33	2,850,211.33
Disposals	0.00	-54,952.89	-54,952.89
As at 31 Dec	**2,619,592.00**	**5,244,939.14**	**7,864,531.14**
Carrying amount as at 31 Dec	**4,857,113.00**	**8,376,891.81**	**13,234,004.81**

Regular depreciations are recorded under the area of activity associated with the asset. As in the previous year, there were no unscheduled depreciations in the year under review.

In connection with the development of internally generated intangible assets, development costs totalling 200,000.00 euros were capitalised (previous year: 1,196,455.00 euros), as the requirements of IAS 38.57 were met in full.

5. Leases

The development of right-of-use assets and lease liabilities is as follows:

Development of lease liabilities

	2022			
in euros	Rented buildings	Vehicles	Data centres	Total
As at 1 Jan	16,540,454.77	869,656.16	0.00	17,410,110.93
Additions	1,380,949.66	425,162.22	0.00	1,806,111.88
Change in the consolidated Group	2,731,811.56	0.00	1,418,822.09	4,150,633.65
Lease payments	-3,822,722.66	-548,910.70	-539,298.08	-4,910,931.44
Interest expense	188,131.16	4,977.02	8,312.34	201,420.52
As at 31 Dec	17,018,624.49	750,884.70	887,836.35	18,657,345.54

	2021			
in euros	Rented buildings	Vehicles	Data centres	Total
As at 1 Jan	17,597,107.50	923,869.72	0.00	18,520,977.22
Additions	1,958,589.32	523,002.61	0.00	2,481,591.93
Lease payments	-3,217,719.10	-582,610.11	0.00	-3,800,329.21
Interest expense	202,477.05	5,393.94	0.00	207,870.99
As at 31 Dec	16,540,454.77	869,656.16	0.00	17,410,110.93

For a maturity analysis of the lease liabilities as at 31 December 2022, see Note 10 Liabilities. The short-term leases amount to 88,941.78 euros as at 31 December 2022 (previous year: 101,712.87 euros). The low-value leases are shown with a balance of 195,148.84 euros (previous year: 62,097.91 euros).

Development of right-of-use assets

	2022			
in euros	Rented buildings	Vehicles	Data centres	Total
As at 1 Jan	16,239,851.72	869,188.85	0.00	17,109,040.57
Additions	1,371,060.93	435,380.95	0.00	1,806,441.88
Change in the consolidated Group	2,731,811.56	0.00	1,418,822.09	4,150,633.65
Depreciation and amortisation	-3,833,065.21	-409,846.79	-534,522.64	-4,777,434.64
As at 31 Dec	16,509,659.00	894,723.01	884,299.45	18,288,681.46

in euros	2021 Rented buildings	Vehicles	Data centres	Total
As at 1 Jan	17,416,583.41	918,498.89	0.00	18,335,082.30
Additions	1,958,589.32	523,002.61	0.00	2,481,591.93
Depreciation and amortisation	-3,135,321.01	-572,312.65	0.00	-3,707,633.66
As at 31 Dec	16,239,851.72	869,188.85	0.00	17,109,040.57

Presentation of undiscounted payment obligations from existing lease agreements

in euros	31 Dec 2022	31 Dec 2021
Up to 1 year	4,145,514.63	3,791,516.89
1 to 5 years	11,662,185.52	10,184,394.16
More than 5 years	3,480,001.25	4,116,469.16
Total	**19,287,701.40**	**18,092,380.21**

Payments amounting to 10,162,864.80 euros (previous year: 5,576,124.00 euros) may be due in the next few years for rental options not yet recognised in the balance sheet.

6. Goodwill

The breakdown of the goodwill carrying amount by segment is as follows:

	2022			2021		
in euros	Public Sector	Business Sector	Total	Public Sector	Business Sector	Total
Accumulated historical cost as at 1 Jan	9,023,266.13	1,299,700.00	10,322,966.13	3,325,331.00	1,299,700.00	4,625,031.00
Change in the consolidated Group	37,304,635.56	0.00	37,304,635.56	5,697,935.13	0.00	5,697,935.13
Additions	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
As at 31 Dec	**46,327,901.69**	**1,299,700.00**	**47,627,601.69**	**9,023,266.13**	**1,299,700.00**	**10,322,966.13**
Accumulated depreciation as at 1 Jan	0.00	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
As at 31 Dec	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Carrying amount as at 31 Dec	**46,327,901.69**	**1,299,700.00**	**47,627,601.69**	**9,023,266.13**	**1,299,700.00**	**10,322,966.13**

Goodwill was allocated to the cash-generating units based on expected synergies from the respective business combination. These cash-generating units represent the lowest reporting level in the Group at which goodwill can be monitored by the management for internal management purposes. The cash-generating units correspond to the segments.

secunet Group is split into two divisions: the Public Sector division and the Business Sector division.

In testing goodwill for impairment in accordance with IAS 36, the recoverable amount of the individual cash-generating unit is determined by its value in use. The test takes place annually as at 31 December. The value in use is calculated from the discounted cash flows of the relevant unit. Cash flows are derived from the EBIT determined as part of the annual planning adopted by the Management Board and approved by the Supervisory Board. This is reconciled to Noplat (net operating profit less adjusted taxes) and adjusted for depreciation and investments. A discount rate (WACC) of 10.25% was used for these calculations (previous year: 8.1%).

A risk-free interest rate (based on market data) of 2.0% (previous year: -0.2%), a market risk premium of 7.5% (previous year: 7.5%) and a beta factor of 1.1 (previous year: 1.1) are used to calculate the discount rate. Since the Company largely operates in the European Economic Area, standardised parameters are used for all cash-generating units. The underlying projections employed for the test are based on a period of three years and take into account past experience and the management's expectations regarding the future development of the market, while also considering growth in the detailed planning period. Projections further into the future are made by extrapolating cash flows in perpetuity, while factoring in a growth rate of 0.5% (previous year: 0.5%) for value in use.

As the discounted cash flows exceeded the carrying amounts of the goodwill, no impairment of goodwill was necessary. As part of a sensitivity analysis, the risk premium was increased by 1% and flat-rate discounts of 20% were applied to the expected cash flows from the individual cash-generating units. Even under these conditions there was no need for impairment with regard to any of the goodwill allocated to the cash-generating units.

7. Inventories

in euros	31 Dec 2022	31 Dec 2021
Trade goods	69,681,448.11	47,797,424.15
Finished goods	265,035.40	231,853.10
Work in progress	1,169,325.40	502,058.35
Advance payments	1,182,845.12	1,541,752.65
Total	**72,298,654.03**	**50,073,088.25**

Trade goods are measured at historical cost calculated using a sliding average.

The production costs of finished goods and work in progress are valued at the cost of acquisition of the materials used and the cost of production.

In order to safeguard the sustained growth in the product business, the inventory level has increased by 22.2 million euros.

During the reporting year, value adjustments for trade goods resulted in an expense in the amount of 719 thousand euros (previous year: 134 thousand euros).

8. Non-current financial assets

The premium reserve shares from reinsurance contracts shown under non-current financial assets amount to 6,549,879.00 euros (previous year: 6,414,381.00 euros). This increase is a result of the regular contributions and credit notes issued on income by the insurance companies. Disbursements for pension payments have a counteracting effect.

These reinsurance contracts deal with the reinsurance of the existing defined benefit obligations related to current and former secunet employees from pension commitments assumed from previous employers. The existing reinsurance contracts are not plan assets as defined under IAS 19. Premium reserve shares reported under non-current assets represent reimbursements in accordance with IAS 19. 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).

The income from the reimbursement claims is shown in the financial result. Revaluation components are recognised in other comprehensive income (statement of comprehensive income).

9. Deferred taxes

The Group has loss carryforwards amounting to 5,692 thousand euros (previous year: 4,236 thousand euros), which relate exclusively to domestic companies, as in the previous year.

No deferred tax assets were formed on losses amounting to 2,709 thousand euros (previous year: 2,680 thousand euros), as it is not expected that these loss carryforwards will be realised in the short to medium term. They do not expire. Deferred tax claims not recognised totalled 866 thousand euros (previous year: 857 thousand euros).

Deferred tax assets of 2,983 thousand euros (previous year: 1,427 thousand euros) were formed on losses amounting to 958 thousand euros (previous year: 456 thousand euros). There is sufficient substantial evidence of future taxable earnings to allow capitalisation. The losses do not expire.

A tax rate of 31.97%, or 16.14% for partnerships, was used to calculate deferred taxes (previous year: 31.98%, or 16.15% for partnerships). The average trade income tax rate changed slightly due to the difference in the weighting of wage payments. The tax rate for deferred taxes includes trade tax and corporate tax plus solidarity surcharge.

The breakdown of deferred taxes recognised in the balance sheet is as follows:

Balance sheet entry

in euros	31 Dec 2022	31 Dec 2021
Deferred tax assets		
from provisions for pensions	748,820.52	1,576,943.07
from goodwill	16,936.75	21,749.28
from intangible assets	24,936.60	41,574.00
from tangible fixed assets	72,080.21	3,259.40
from leases as defined by IFRS 16	114,595.19	96,282.51
from loss carryforwards	957,520.68	456,380.16
from other items	612,761.32	484,415.48
	2,547,651.27	**2,680,603.90**
Deferred tax liabilities		
from trade receivables and contract assets	-56,307.80	-169,470.34
from intangible assets	-11,358,288.31	-3,548,939.24
from goodwill	-51,146.88	-37,022.93
from tangible fixed assets	0.00	-51,306.15
from other items	-533,953.99	-446,933.29
	-11,999,696.98	**-4,253,671.95**
Total	**-9,452,045.71**	**-1,573,068.05**

Deferred tax assets of 1,726 thousand euros (previous year: 1,993 thousand euros) and deferred tax liabilities of 9,475 thousand euros (previous year: 2,014 thousand euros) were formed for items with a term of more than 12 months.

No deferred taxes were recognised on temporary differences amounting to 1 thousand euros (previous year: 1 thousand euros) in connection with shares in subsidiaries.

The changes in deferred taxes in the income statement may be summarised as follows:

Income statement for expenses / income

in euros	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Deferred tax assets		
from provisions for pensions	15,505.01	63,932.33
from goodwill	-4,812.53	-4,815.54
from intangible assets	-16,637.40	-13.00
from tangible fixed assets	68,820.81	-4,079.75
from leases as defined by IFRS 16	18,312.68	-19,167.80
from loss carryforwards	501,140.52	268,393.42
from other items	128,345.84	236,965.45
	710,674.93	**541,215.11**
Deferred tax liabilities		
from trade receivables and contract assets	113,162.54	-79,113.30
from intangible assets	1,563,650.93	172,458.12
from goodwill	-14,123.95	-14,132.81
from tangible fixed assets	51,306.15	-1,129.83
from other items	-87,020.70	-446,933.29
	1,626,974.97	**-368,851.11**
Income from deferred taxes	**2,337,649.90**	**172,364.00**

In the 2022 financial year, a deferred tax expense of 843,627.56 euros was recorded under other comprehensive income / loss (previous year: 239,992.95 euros). Within the scope of the initial consolidation of SysEleven GmbH, deferred tax liabilities of 9,373,000.00 euros were recognised on intangible assets.

10. Liabilities

The intercompany payables relate to trade accounts payable (79,789.82 euros (previous year: 102,952.71 euros)). The carrying amounts of trade payables and other liabilities correspond to the nominal value.

Other current liabilities break down as follows:

in euros	31 Dec 2022	31 Dec 2021
Payable value-added tax	10,393,401.99	3,657,780.38
Payable wage income tax and church tax	923,680.18	787,687.54
Payable social security contributions	15,200.23	14,861.25
Other liabilities	511,832.86	86,396.44
Total	**11,844,115.26**	**4,546,725.61**

The maturities of the liabilities are as shown below:

in euros	Total		Remaining term up to 1 year		Remaining term of 1 year to 5 years		Remaining term of over 5 years	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Trade accounts payable	36,185,965.84	23,276,779.95	36,185,965.84	23,276,779.95	0.00	0.00	0.00	0.00
Intercompany payables	79,789.82	102,952.71	79,789.82	102,952.71	0.00	0.00	0.00	0.00
Lease liabilities	18,657,345.54	17,410,110.93	3,947,364.31	3,132,248.03	11,300,674.45	10,018,035.28	3,409,306.78	4,259,827.62
Liabilities to banks	468,750.00	0.00	312,500.00	0.00	156,250.00	0.00	0.00	0.00
Income tax liabilities	3,068,902.97	9,105,676.54	3,068,902.97	9,105,676.54	0.00	0.00	0.00	0.00
Other liabilities	24,929,155.73	4,546,725.61	12,290,604.69	4,546,725.61	12,638,551.04	0.00	0.00	0.00
Contract liabilities	67,794,207.75	50,983,035.47	30,231,243.38	20,889,875.70	37,562,964.37	30,093,159.77	0.00	0.00

Other long-term liabilities include a reported earn-out clause of 11.1 million euros in connection with the acquisition of SysEleven GmbH, Berlin. The amount of the earn-out clause payment is based on qualitative and quantitative targets for the financial years 2022 and 2023. The quantitative targets are based on the cumulative minimum values for sales and earnings from the financial years 2022 and 2023. The qualitative targets are made up of criteria from SysEleven GmbH's business operations. Based on a calculation of the probabilities of occurrence and a weighting of the factors, a fair value of 11.1 million euros was calculated for the earn-out clause. A WACC of 7.4% was used for this.

The subsequent measurement is influenced by the interest rate situation at the respective evaluation date as well as the estimates made on the valuation date regarding the achievement of targets. Any changes in valuation are recognized in the income statement.

If the targets are not met, no payment will be made.

11. Contract balances

The following table presents information on receivables, contract assets and contract liabilities for customer contracts:

in euros	31 Dec 2022	31 Dec 2021
Trade receivables	75,818,259.18	33,278,737.26
Contract assets	2,596,942.21	3,946,989.09
Contract liabilities	67,794,207.75	50,983,035.47

The contract assets include services already rendered under work or service contracts but not yet invoiced to the customer. No value adjustments had to be recognised in this regard in the financial year.

The contract assets are transferred to receivables when the customer is invoiced.

The disclosure of the allocated transaction prices for the remaining performance is waived as no material amounts are to be achieved beyond the financial year 2023.

The contract liabilities include customer payments that are recognised as revenue after the balance sheet date. This item contains transactions where the Group generates cash inflow in advance due to multiple-year maintenance and support contracts and extended warranties or receives advance payments for later supplies or services. The sales revenue is generated over a period corresponding to the maturities reported in Note 10.

The contract liabilities developed as follows in the financial year:

in euros	31 Dec 2022	31 Dec 2021
As at 1 Jan	50,983,035.47	43,217,024.03
Recognised in sales revenue	-20,889,875.70	-14,673,571.17
Additions due to initial consolidation	0.00	546,718.31
Additions from payments received	37,701,047.98	21,892,864.30
As at 31 Dec	67,794,207.75	50,983,035.47

12. Provisions for pensions

in euros	31 Dec 2022	31 Dec 2021
Opening balance as at 1 Jan	8.030.046,00	8.580.576,47
Benefits paid	-69.641,00	-68.329,00
Additions	282.842,00	268.245,53
Changes not affecting profit/loss in other income	-2.638.810,00	-750.447,00
Closing balance as at 31 Dec	5.604.437,00	8.030.046,00

Provisions for pensions and similar liabilities are formed on the basis of the Group company's individual contract commitments towards its employees. 25 current and former employees of secunet Group who were employed at other companies in the past are entitled to a pension (previous year: 25 employees). The 25 pensionable persons consist of 22 candidates and three pension beneficiaries.

As a result of business combinations and taking over of employees from other companies, the Company has a variety of pension plans. These can largely be split into two types of plans.

The first type of plan grants the beneficiary a defined percentage (between 0.6% and 1.5%) of remuneration as an old-age pension, for each year of service. In the second type of plan, the beneficiary is granted a fixed component for the old-age pension.

Both types of plan allow for early retirement taking reductions in benefits into account.

Both plans include a disability pension and a widow's and orphans' pension.

The certificates for the eligible employees of secunet Group as at 31 December 2022 are based on trend assumptions of 2.5% for salary growth (previous year: 2.5%), pension growth of 2.0% p.a. (previous year: 1.7% p.a.) and an actuarial interest rate of 3.7% p.a. (previous year: 1.2% p.a.). Professor Klaus Heubeck's 2018 G mortality tables were used as the basis for the calculation. In anticipation of the upcoming adjustment to pensions for pension recipients under the German Company Pensions Act (BetrAVG), an increase of 9.9% was applied for current pensions.

To determine the actuarial interest rate, a yield curve as at the balance sheet date is derived using bootstrapping based on corporate bonds with an AA rating. The actuarial interest rate was derived from the yield curve based on the actual term of the obligation.

The parameters were set based on the data from December 2022.

Sensitivity analysis

	2022			2021	
Valuation parameter	Sensitivity	Baseline value	Effect on provisions (in thousand euros)	Baseline value	Effect on provisions (in thousand euros)
Actuarial interest	+ 0.50%	3.70%	-425	1.20%	-752
Actuarial interest	- 0.50%	3.70%	478	1.20%	863
Salary growth	+ 0.25%	2.50%	36	2.50%	66
Salary growth	- 0.25%	2.50%	-36	2.50%	-64
Pension growth	+ 0.25%	2.00%	209	1.70%	344
Pension growth	- 0.25%	2.00%	-124	1.70%	-216
Life expectancy	+ 2 years	Heubeck 2018 G	318	Heubeck 2018 G	626

The sensitivity calculations are based on the average terms of the pension obligations as at 31 December 2022. Separate calculations were performed for all actuarial parameters considered to be material, so as to separately show the effects on the present value of defined benefit obligations as at 31 December 2022. Since the sensitivity analyses are based on the average duration of expected pension obligations, and expected payment deadlines are therefore not considered, they can only provide rough information or statements on trends.

The evaluation and definition of the parameters are at the discretion of the Management Board.

Changes to the defined benefit obligations in the reporting year were as follows:

in euros	2022	2021
As at 1 Jan	8,030,046.00	8,580,576.47
Current service cost	186,940.00	204,151.53
Interest expense	95,902.00	64,094.00
Actuarial gains and losses from		
experience-based adjustments	141,569.00	20,636.00
changes to financial assumptions	-2,780,379.00	-771,083.00
Benefits paid	-69,641.00	-68,329.00
As at 31 Dec	**5,604,437.00**	**8,030,046.00**

Of the defined benefit obligations, 59.7% (previous year: 64.0%) relate to active claimants. 15.4% (previous year: 14.8%) relate to claimants who have left and 24.9% (previous year: 21.2%) relate to pension beneficiaries. Pension commitments do not expire.

The weighted average duration of the defined benefit obligations up to 31 December 2022 is 17.0 years (previous year: 20.0 years).

Costs arising from the defined benefit obligations and included in the income statement are broken down as follows:

in euros	2022	2021
Current service cost	186,940.00	204,151.53
Interest expense	95,902.00	64,094.00
Cost for the year	**282,842.00**	**268,245.53**

In line with actuarial certificates, expenses arising from the commitments are distributed over the service life of employees and consist of the interest expenses and the service expenses. Interest expenses are included in the financial result, and the service expenses are shown under personnel expenditure in the respective functional areas.

In the reporting year, pension payments of 69,641.00 euros (previous year: 68,329.00 euros) were paid directly by the employer.

The defined benefit obligation is offset by premium reserve shares from reinsurance contracts in the amount of 6,549,879.00 euros (previous year: 6,414,381.00 euros), which do not represent plan assets under IAS 19.

A pension provision of 5,846,185 euros is expected as at 31 December 2023, based on an annual expense of 329,914 euros and planned pension payments of 88,166 euros.

In the reporting year, secunet Group paid contributions of 5,173 thousand euros (previous year: 4,008 thousand euros) into the statutory pension insurance plan, which is regarded as a defined contribution plan. In the case of defined contribution pension plans, there are no further obligations beyond the payment of contributions.

The fair value of the premium reserve from reinsurance contracts – disclosed under non-current financial assets – corresponds to the carrying amount. They developed as follows:

in euros	2022	2021
Carrying amount as at 1 Jan	6,414,381.00	6,275,349.00
Incoming payments	61,625.68	61,619.64
Outgoing payments	-104,706.07	-104,700.00
Income recorded in the income statement	178,578.39	182,112.36
Carrying amount as at 31 Dec	**6,549,879.00**	**6,414,381.00**

13. Other provisions

The changes in other provisions are shown in the table below:

in euros	1 Jan 2022	Change in the consolidated Group	Utilisation	Released	Additions	31 Dec 2022
Non-current provisions						
Provisions for anniversary bonuses	453,632.00	0.00	0.00	-910.00	53,952.00	506,674.00
Asset retirement and maintenance measures	1,307,748.40	0.00	0.00	-784,271.52	0.00	523,476.88
Long-term provision for share-based remuneration	545,089.00	0.00	0.00	0.00	10,486.00	555,575.00
	2,306,469.40	**0.00**	**0.00**	**-785,181.52**	**64,438.00**	**1,585,725.88**
Current provisions						
Annual employee bonuses	19,012,837.00	0.00	-16,763,127.10	-2,291,884.90	12,738,219.00	12,696,044.00
Accrued holidays	1,788,824.38	128,000.00	-1,788,824.38	0.00	1,853,512.25	1,981,512.25
Deferred costs	780,569.43	0.00	-635,228.54	-145,340.89	124,638.36	124,638.36
Warranties	571,000.00	0.00	0.00	0.00	76,000.00	647,000.00
Covid-19 employee bonus	384,000.00	0.00	-384,000.00	0.00	0.00	0.00
Impending losses	277,920.00	0.00	0.00	0.00	0.00	277,920.00
Professional association contributions	260,150.00	0.00	-4,351.45	-148.55	32,824.68	288,474.68
Other	1,106,572.76	0.00	-815,929.25	0.00	905,410.87	1,196,054.38
	24,181,873.57	**128,000.00**	**-20,391,460.72**	**-2,437,374.34**	**15,730,605.16**	**17,211,643.67**
Total	**26,488,342.97**	**128,000.00**	**-20,391,460.72**	**-3,222,555.86**	**15,795,043.16**	**18,797,369.55**

The provision formed in the previous year for warranties and goodwill in the product and project business was not utilised in the 2022 financial year.

The provision for asset retirement and maintenance measures essentially involves asset retirement and maintenance measures to be performed by the Company for the leased properties in Essen, Dresden, Hanover and Munich. In 2022, a reassessment of the obligations from the maintenance measures was carried out, resulting in a partial reversal of the provisions.

Overall provisions have been represented at the level of the expected realisation arising from the risks.

The estimation of the probability of occurrence for the expected realisation of the provisions is at the discretion of the Management Board.

14. Share-based remuneration

A Performance Share Plan (PSP) is set up annually for the members of the Management Board. This is a long-term variable remuneration component.

The PSP is granted in annual tranches with a four-year performance period. At the beginning of each tranche, a number of virtual shares are initially allocated provisionally on the basis of the average share price of the last 30 trading days prior to the allocation date. The number of virtual shares finally allocated to the Management Board members at the end of the term of a tranche depends on the development of the respective performance criteria within the respective performance period. The amount of the payouts is determined by multiplying the adjusted number of virtual shares by the average share price of the last 30 trading days before the end of the four-year performance period. The final number of virtual shares at the time of payment may therefore differ from the number of virtual shares provisionally granted.

The amount of payment for the share-based remuneration is subject to multiple caps. Firstly, the level of achievement for each PSP target is limited to a maximum of 150%. Secondly, the amount of the payout is capped at 200% of the original allocation value. The final limit to be observed is the maximum remuneration defined for each member of the Management Board.

In the event of the premature departure of a member of the Management Board, the PSP defines good or bad leaver circumstances; upon coming into force, the entitlements are forfeited (bad leaver cases) or continue to exist (good leaver). In the case of continuing entitlements, the payout is essentially made according to the specifications of the PSP at the end of the performance period.

Under the Performance Share Plan for the performance period 2021 to 2024, a total of 1,866 virtual shares were granted to the members of the Management Board. For the performance period 2022 to 2025, the members of the Management Board were granted 1,147 virtual shares under the PSP.

The final number of virtual shares at the end of the four-year performance period is determined by the three linked performance criteria of relative total shareholder return (TSR-measure of the development of the value of a shareholding over a certain period of time, in terms of share price development and dividends), achievement of strategic targets and sustainability, for which the Supervisory Board establishes target and threshold values before granting a new tranche.

A recognised financial model ("Monte Carlo simulation") is used to determine the fair values of the virtual shares to be settled in cash, which are the basis for determining the provision as at the balance sheet date. The following parameters were used in the calculation as at 31 December 2022:

Performance Share Plan for the performance period 2021–2024

Parameter	Value
Term	4 years
Share price of secunet AG as at the reporting date	196.40 euros
Dividend paid to date	7.92
Risk-free interest rate (determined by the Svensson method)	2.59%
Expected volatility of the secunet share (derived from historical volatilities)	55.30%
Remaining term	2 years

Assumptions regarding correlations between the secunet share price and the performance of the TecDAX were determined on the basis of historical share price and index developments. The fair value of the secunet share is 274.94 euros (uncapped) and 181.47 euros (capped).

Performance Share Plan for the performance period 2022–2025

Parameter	Value
Term	4 years
Share price of secunet AG as at the reporting date	196.40 euros
Dividend paid to date	5.38
Risk-free interest rate (determined by the Svensson method)	2.55%
Expected volatility of the secunet share (derived from historical volatilities)	56.34%
Remaining term	3 years

Assumptions regarding correlations between the secunet share price and the performance of the TecDAX were determined on the basis of historical share price and index developments. The fair value of the secunet share is 299.84 euros (uncapped) and 188.99 euros (capped).

A long-term provision of 555 thousand euros (previous year: 545 thousand euros) was recognised as a liability for share-based remuneration as at the balance sheet date. An expense of 10 thousand euros (previous year: 545 thousand euros) was recognised.

15. Equity

The development of the Group's equity is shown in the consolidated statement of changes in equity.

As in the previous year, secunet AG holds 30,498 treasury shares as at the balance sheet date. This corresponds to a share of 0.469% of the subscribed capital.

The subscribed capital remains unchanged at 6,500,000.00 euros. It is divided into 6,500,000 bearer shares without par value. All shares are fully paid. Calculated on Group profit for the period attributable to the shareholders of secunet AG of 31,289,814.27 euros, diluted and undiluted earnings per share were 4.84 euros per share (6,469,502 shares), compared with 6.66 euros (6,469,502 shares) in the previous year.

The minority interests developed as follows in the financial year:

in euros	2022	2021
Opening balance as at 1 Jan	263,410.66	380,447.83
Share in net income	-18,712.59	-117,037.17
Closing balance as at 31 Dec	244,698.07	263,410.66

The number of shares outstanding remained unchanged, at 6,469,502 shares. Each share grants the holder one voting right and, in the event of a distribution, an equivalent dividend entitlement.

secunet AG's capital reserves were unchanged from the previous year, with 1,902,005.80 euros of the total resulting from payments by the shareholder before the transformation of secunet AG into a public limited company. The price premium paid in the initial public offering accounts for 20,020,000.00 euros of the total. The capital reserves are available – subject to statutory regulations – for the purposes of offsetting any losses incurred and for capital increases from the Company's own funds.

The other reserves consist of the reserve for treasury shares and the other comprehensive income/loss.

The reserve for treasury shares consists of the historical cost of the shares of the Company held by the Group. The Company currently holds 30,498 of its own shares.

Other comprehensive income/loss consists of currency conversion differences from the currency conversion of financial statements of foreign subsidiaries, actuarial gains and losses as part of pension provision calculation as well as deferred taxes.

Retained earnings decreased from 102,876,356.60 euros in the previous year to 99,378,962.70 euros. This decrease was based on the Group profit for the period attributable to the shareholders of secunet AG of 31,308,526.86 euros, less the dividend payments of 34,805,920.76 euros paid during the reporting year and the adjustment of retained earnings due to consolidation effects.

Appropriation of the balance sheet profit

From the balance sheet profit of 34,805,920.76 euros reported for the 2021 financial year in the Annual Financial Statements under commercial law, dividends of 5.38 euros per share (amounting to a total of 34,805,920.76 euros) were distributed in the 2022 financial year in accordance with the resolution of the Annual General Meeting on 25 May 2022.

secunet AG's Annual Financial Statements under commercial law for the 2022 financial year show net income for the year of 36,907,073.28 euros. The Management Board and the Supervisory Board have decided to deposit an amount of 18,404,297.56 euros from this sum into other retained earnings. There is a balance sheet profit of 18,502,775.72 euros under commercial law for 31 December 2022.

The Management Board will propose to the Annual General Meeting that a regular dividend of 2.86 euros per dividend-bearing share be distributed on the dividend-bearing share capital of 6,469,502.00 euros (corresponding to a regular distribution of 50% of the net profit for the year), i.e. a total of 18,502,775.72 euros. When determining the share capital entitled to a dividend, the total of 30,498 treasury shares was deducted. For the remaining balance sheet profit in the amount of 0.00 euros, the transfer to other retained earnings is proposed.

in euros	2022
Balance sheet profit as at 1 Jan 2022	34,805,920.76
Dividend payment in 2022 for 2021	-34,805,920.76
Net income for the year 2022	36,907,073.28
Transfer to other retained earnings	-18,404,297.56
Balance sheet profit at 31 Dec 2022	**18,502,775.72**
Proposal for the appropriation of distributable earnings	
Dividend payment for 2023	18,502,775.72
Transfer to other retained earnings	0.00
Carryforward	**0.00**

Notes on the income statement

16. Sales revenue

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

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

	Public Sector		Business Sector		Group	
in thousand euros	2022	2021	2022	2021	2022	2021
Geographical allocation						
Domestic	270,136.6	248,588.2	46,235.5	59,215.6	316,372.1	307,803.8
Abroad	30,163.6	29,533.8	689.0	282.6	30,852.6	29,816.4
Total	**300,300.2**	**278,122.0**	**46,924.5**	**59,498.2**	**347,224.7**	**337,620.2**
Revenue generation						
Consultancy business	41,345.6	39,734.8	8,147.9	7,099.7	49,493.5	46,834.5
Product business	258,954.6	238,387.2	38,776.6	52,398.5	297,731.2	290,785.7
Total	**300,300.2**	**278,122.0**	**46,924.5**	**59,498.2**	**347,224.7**	**337,620.2**
Recognition of sales revenue						
Over time	61,793.0	60,182.2	17,513.1	16,464.9	79,306.1	76,647.1
At a point in time	238,507.2	217,939.8	29,411.4	43,033.3	267,918.6	260,973.1
Total	**300,300.2**	**278,122.0**	**46,924.5**	**59,498.2**	**347,224.7**	**337,620.2**

Domestic sales revenue totalled 316,372.1 thousand euros (previous year: 307,803.8 thousand euros), while sales revenue generated abroad was 30,852.6 thousand euros (previous year: 29,816.4 thousand euros). The breakdown of sales revenue is based on the location of the customers.

Approximately 224 million euros of this sales revenue is attributable to the Group's major customer as defined in IFRS 8.34. This sales revenue was generated in the Public Sector division. No other individual customer accounted for 10% or more of the Group's sales revenues in 2022.

17. Presentation of selected expenses according to cost types

With the exception of materials expenses, which must always be included under cost of sales, all the cost types are recorded under the cost of sales, the selling expenses and the general administrative costs. The following amounts are recorded for the cost types listed below:

in euros	2022	2021
Expenses for raw materials, consumables and operating materials	153,629,725.07	154,776,094.96
Cost of purchased services	24,302,868.12	16,484,304.54
Materials expenses	**177,932,593.19**	**171,260,399.50**
Wages and salaries	69,951,953.46	65,117,604.97
Social security costs	11,173,059.09	9,734,814.71
Expenses for retirement pensions	182,756.36	209,308.89
Personnel expenditure	**81,307,768.91**	**75,061,728.57**
Depreciations (scheduled)	**15,035,814.52**	**9,933,084.86**

18. Research and development costs

Research and development costs for the financial year amounted to 9,846,186.85 euros (previous year: 7,505,955.34 euros).

All expenses were attributable to development projects that did not fully meet the criteria set out in IAS 38.57 for the justification of mandatory capitalisation.

19. Interest income / expense

In the 2022 financial year, interest income of 26,989.84 euros (previous year: 5,631.49 euros) was generated. The amount is attributable to default interest on trade receivables.

The interest expense for 2022 of 509,626.98 euros (previous year: 294,855.99 euros) mainly consists of interest to banks and lessors (205,648.65 euros, previous year: 0.00 euros), interest on pension provisions (95,902.00 euros, previous year: 64,094.00 euros) and interest expense in connection with lease accounting under IFRS 16 (201,420.52 euros, previous year: 207,870.99 euros). The remaining amount mainly relates to interest on other non-current provisions.

20. Income taxes

In the reporting year, current taxes of 17,761,810.10 euros were incurred (previous year: 20,781,453.53 euros). This includes taxes for previous years in the amount of 323,339.10 euros (previous year: 71,698.02 euros). For deferred taxes see Note 9.

The income tax expense is derived from the theoretical tax expense. A tax rate of 31.97% (previous year: 31.98%) is applied to the earnings before taxes. The tax expense arising from the application of the tax rate for the Group is derived as follows:

in euros	2022	2021
Group profit before tax	46,713,974.47	63,589,387.07
Expected tax expense	-14,934,457.64	-20,337,857.26
Non-recognition of losses	-3,558.13	-6,842.99
Trade tax adjustments	-70,511.95	-69,489.09
Prior-year taxes	-323,339.10	-71,698.02
Non-deductible expenses	-34,055.44	-21,239.88
Other items	-58,237.94	-101,962.29
Effective tax expense	**-15,424,160.20**	**-20,609,089.53**

As at 31 December 2022, the tax rates used to calculate deferred tax assets and liabilities were changed only slightly compared with the previous year.

The effective tax rate in the reporting year, based on the Group profit before tax, was 33.0% (previous year: 32.4%).

21. Cash flow statement

The cash flow statement shows the changes in cash over the course of the reporting year, broken down into cash flows from operating, business, investment and financing activities. Cash and cash equivalents comprise cash in hand and bank balances.

The cash flow from operating activities was determined using the indirect method.

The changes in liabilities from financing activities are as follows:

31 Dec 2022	Beginning of the period	Changes in the scope of consolidation	Cash-effective additions	Non-cash additions	Cash-effective disposals	Non-cash interest	End of period
Liabilities to banks	0.00	625,000.00	0.00	0.00	-156,250.00	0.00	468,750.00
Other liabilities	0.00	1,421,356.46	731,887.44	0.00	-211,846.43	0.00	1,941,397.47
Lease liabilities	17,410,110.93	4,150,633.65	0.00	1,806,441.88	-4,910,931.44	201,090.52	18,657,345.54
Total	**17,410,110.93**	**6,196,990.11**	**731,887.44**	**1,806,441.88**	**-5,279,027.87**	**201,090.52**	**21,067,493.01**
31 Dec 2021							
Lease liabilities	18,520,977.22	0.00	0.00	2,481,591.93	-3,800,329.21	207,870.99	17,410,110.93

22. Segment reporting

secunet Group is split into two divisions: the Public Sector division and the Business Sector division. Both divisions are shown separately for the purposes of segment reporting, as they meet at least one of the quantitative thresholds defined in IFRS 8.13.

Segment report 2022

in thousand euros	Public Sector	Business Sector	secunet 2022
Segment revenue	300,300	46,925	347,224
Cost of sales	–220,491	–36,579	–257,070
Selling expenses	–17,629	–5,217	–22,846
Research and development costs	–7,209	–2,638	–9,846
Administrative costs	–8,919	–1,531	–10,450
Segment result (EBIT)	46,060	953	47,013
Interest result			–484
Income from investments			184
Group profit before tax			46,713
Goodwill	46,328	1,300	47,628

Segment report 2021

in thousand euros	Public Sector	Business Sector	secunet 2022
Segment revenue	278,120	59,501	337,620
Cost of sales	–190,636	–45,378	–236,014
Selling expenses	–17,259	–4,604	–21,863
Research and development costs	–5,950	–1,555	–7,505
Administrative costs	–6,927	–1,453	–8,380
Segment result (EBIT)	57,369	6,510	63,879
Interest result			–290
Income from investments			0
Group profit before tax			63,589
Goodwill	9,023	1,300	10,323

secunet has a market-oriented organisational structure: two divisions – Public Sector and Business Sector – are respectively geared towards the needs of public clients and international organisations on the one hand, and to the target group of private companies on the other hand, offering consultancy services, products and solutions.

One aspect of the Public Sector division's offering to its customers is the SINA product family, encompassing solutions (software, hardware and management) for highly secure, cryptographic processing, transmission and storage of classified information with different confidentiality levels. Additionally 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 control systems, the ELSTER electronic tax return system and the equipment of large infrastructures with high-security technology and public key infrastructures.

The Business Sector division offers IT security consulting and solutions for the healthcare market and to meet the specific requirements of companies in the private sector. The range of solutions in the healthcare market consists mainly of the secunet konnektor for connection to the telematics infrastructure (TI) in the healthcare sector. The consulting services for private sector companies range from security assessments (known as penetration tests) via security consulting (for security policies and their implementation, for example) up to support for certification projects. The customer-specific solutions in the Business Sector are focused particularly on providers and operators of critical infrastructures, such as telecommunications companies, energy and utility companies, and on the automotive industry, as well as on companies with network-controlled, digital production and service processes (Industry 4.0). The portfolio contains, for example, the eID PKI Suite solution, which is used to generate, use and manage digital certificates. The certificates serve the purpose of authenticating users and technical components as well as signing and encrypting data and messages. Also included is the secunet edge product, which protects networked sensors, machines and systems in Industry 4.0 against cyberattacks.

The accounting principles for the segments are identical to those used for the Consolidated Financial Statements. Using apportionments, expenses (for example, overhead costs) that are not directly allocable to the reportable segments are allocated to the reportable segments.

The segments are managed on the basis of the segment results.

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 balance sheet date.

Further details on sales revenue can be found in Note 16.

In segment reporting, the general administrative costs as well as other operating expenditure and income from the profit and loss account are summarised under administrative costs.

The selling expenses are combined with the net impairment loss on trade receivables and contract assets.

23. Other disclosures

Employees

In the 2022 financial year, the Group had an average of 1,007 employees (907 permanent employees and 100 temporary workers; previous year: 819 employees (720 permanent employees and 99 temporary workers)).

Capital management

The capital management of secunet Group is geared primarily to the provisions and requirements of company law. The aim is to ensure that all Group companies can operate as going concerns. Where no special provisions dictate otherwise, the equity for tax purposes is the same as the balance sheet equity. In all other cases the balance sheet equity is adjusted in line with regulatory or contractual requirements. The Group is not subject to any minimum equity requirements.

The Group's equity (including non-controlling interests) as at 31 December 2022 was 127,834,447.58 euros (previous year: 129,823,840.73 euros).

Financial instruments

Risks from financial instruments

The risks arising from financial instruments relate to liquidity, default and market risks.

Liquidity risks

To ensure that it has sufficient funds at its disposal, the Group prepares a liquidity plan as part of its three-year planning. This is then compared against each set of month-end figures and subsequently analysed.

The finance department informs the CFO of the current level of available funds on a daily basis. In conjunction with a permanent reminder function, this ensures a high cash reserve at all times.

As at the balance sheet date, there is an revolving line of credit of 30 million euros. This is completely unused as of 31 December 2022.

Guarantee facilities totalling 12.0 million euros existed as at the balance sheet date (previous year: 12.0 million euros), of which 6.9 million euros (previous year: 4.3 million euros) has been drawn down.

At the end of the year, the Group had cash and cash equivalents amounting to 21,479,549.36 euros at its disposal (previous year: 119,476,061.19 euros). Current financial liabilities stood at 37,330,995.09 euros (previous year: 23,429,732.66 euros). The previous year's figure was adjusted as it also included other non-financial liabilities.

Default risks

Default risks, or risks that counterparties cannot meet their payment obligations on time, are addressed with approval and control processes.

The Group also assesses the solvency of its customers on a regular basis.

The maximum amount of the default risks arising for the Group corresponds to its total receivables. The Group is not exposed to any unusual default risks in respect of individual contracting partners or groups of contracting partners. Default risks are recognised through valuation allowances.

There are no concentrations of default risks in respect of individual customers. The overall default risk is estimated to be low.

An analysis of the trade receivables that were overdue can be found in the overview under Note 2.

Market risks

The Group generates the majority of its sales in the European currency area. The risks resulting from exchange rate fluctuations are therefore not significant. Fixed interest rates are agreed for the Company's interest-bearing call deposits and time deposits. Due to the high level of cash and cash equivalents, no financing through loans is required. Risks resulting from changes in interest rates can therefore also be regarded as low.

Other notes on financial instruments

During the reporting year, the measurement category non-current financial assets was changed from "measured at fair value" to "not allocated to any IFRS 9 category". There were no further reclassifications of financial assets between the measurement categories under IFRS 9. With the exception of the earn-out clause (contingent purchase price obligation), no financial assets and financial liabilities were measured at fair value through profit or loss (FVTPL).

The carrying amounts of current financial assets and liabilities as well as non-current trade receivables represent an appropriate approximation of fair value for the purposes of IFRS.

For financial instruments measured at amortised cost, expenses of 100 thousand euros (previous year: 0 thousand euros) due to impairments and write-downs, and income of 0 thousand euros (previous year: 39 thousand euros) due to write-ups were reported in the 2022 financial year.

Additional notes on financial instruments

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

31 Dec 2022	Carrying amounts			
in euros	Mandatory as FVTPL	At amortised cost	Not allocated to any IFRS 9 category	Financial liabilities at amortised cost
Financial assets measured at fair value				
Non-current financial assets[1]	0.00	0.00	6,549,879.00	0.00
Financial assets not measured at fair value				
Cash and cash equivalents	0.00	21,479,549.36	0.00	0.00
Trade receivables	0.00	75,818,259.18	0.00	0.00
Intercompany financial assets	0.00	304,018.98	0.00	0.00
Other current and non-current assets	0.00	900,068.00	0.00	0.00
	0.00	**98,501,895.52**	**0.00**	**0.00**
Financial liabilities measured at fair value				
Other non-current liabilities	11,143,643.00	0.00	0.00	0.00
Financial liabilities not measured at fair value				
Trade accounts payable	0.00	0.00	0.00	36,185,965.84
Intercompany payables	0.00	0.00	0.00	79,789.82
Current and non-current liabilities to banks	0.00	0.00	0.00	468,750.00
Other current and non-current liabilities	0.00	0.00	0.00	2,091,397.47
	0.00	**0.00**	**0.00**	**38,825,903.13**

[1] The measurement category was changed in the financial year.

	Carrying amounts	Fair value			
	Total carrying amounts	Level 1	Level 2	Level 3	Total fair values
	6,549,879.00	0.00	6,549,879.00	0.00	6,549,879.00
	21,479,549.36	0.00	0.00	0.00	0.00
	75,818,259.18	0.00	0.00	0.00	0.00
	304,018.98	0.00	0.00	0.00	0.00
	900,068.00	0.00	0.00	0.00	0.00
	98,501,895.52	**0.00**	**0.00**	**0.00**	**0.00**
	11,143,643.00	0.00	0.00	**11,143,643.00**	**11,143,643.00**
	36,185,965.84	0.00	0.00	0.00	0.00
	79,789.82	0.00	0.00	0.00	0.00
	468,750.00	0.00	468,750.00	0.00	468,750.00
	2,091,397.47	0.00	1,941,397.47	0.00	1,941,397.47
	38,825,903.13	**0.00**	**2,410,147.47**	**0.00**	**2,410,147.47**

31 Dec 2021	Carrying amounts				
in euros	Mandatory as FVTPL	At amortised cost	Not allocated to any IFRS 9 category	Financial liabilities at amortised cost	
Financial assets measured at fair value					
Non-current financial assets	0.00	0.00	6,414,381.00	0.00	
Financial assets not measured at fair value					
Cash and cash equivalents	0.00	119,476,061.19	0.00	0.00	
Trade receivables	0.00	33,278,737.26	0.00	0.00	
Intercompany financial assets	0.00	124,011.53	0.00	0.00	
Other current and non-current assets[2]	0.00	294,900.00	0.00	0.00	
	0.00	**153,173,709.98**	**0.00**	**0.00**	
Financial liabilities not measured at fair value					
Trade accounts payable	0.00	0.00	0.00	23,429,732.66	
Intercompany payables	0.00	0.00	0.00	102,952.71	
Other current liabilities[3]	0.00	0.00	0.00	50,000.00	
	0.00	**0.00**	**0.00**	**23,429,732.66**	

[2] In the previous year, prepayments for services yet to be received were included under other current and non-current assets. These are not to be reported as financial assets.

[3] In the previous year, payment obligations for value-added tax, wage and church tax and social security contributions were still reported here under other current liabilities. These are not to be reported as financial liabilities.

	Carrying amounts	Fair value			
	Total carrying amounts	Level 1	Level 2	Level 3	Total fair values
	6,414,381.00	0.00	6,414,381.00	0.00	6,414,381.00
	119,476,061.19	0.00	0.00	0.00	0.00
	33,278,737.26	0.00	0.00	0.00	0.00
	124,011.53	0.00	0.00	0.00	0.00
	294,900.00	0.00	0.00	0.00	0.00
	153,173,709.98	**0.00**	**0.00**	**0.00**	**0.00**
	23,429,732.66	0.00	0.00	0.00	0.00
	102,952.71	0.00	0.00	0.00	0.00
	50,000.00	0.00	0.00	0.00	0.00
	23,429,732.66	**0.00**	**0.00**	**0.00**	**0.00**

Net profit/loss from financial instruments for the two financial years was as follows:

in euros	2022	2021
Loans and receivables		
Interest result	26,989.84	5,631.49
Losses from derecognised receivables	-3,600.00	0.00
Gains on receivables written off	522.96	0.00
Impairment losses (–)/impairment reversals (+)	-103,748.75	39,032.00
	-79,835.95	**44,663.49**
Financial assets measured at fair value through profit or loss		
Interest result	178,578.39	182,112.36
Total	**98,742.44**	**226,775.85**

Corporate Governance

The Management Board and Supervisory Board issued the declaration pursuant to Section 161 AktG in respect of secunet AG and made it permanently available to the shareholders on the Company's website (www.secunet.com/en/about-us/investors).

Corporate bodies

In the reporting year, the Company's Management Board comprised the following members:

- Qualified industrial engineer Axel Deininger
- Qualified engineer Torsten Henn
- Dr-Ing Kai Martius
- Qualified business economist (FH) Thomas Pleines

Fees for auditors of Consolidated Financial Statements

In the financial year and in the previous year, the following fees paid to the auditors of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungs-gesellschaft, were recognised.

in thousand euros	2022	2021
Audit services	346	239
Other assurance services	157	54
Tax advisor services	0	0
Other services	0	102
Total	**503**	**395**

The total fee charged by the Company's auditors is broken down into audit services, other assurance services and other services in the corresponding disclosure in the Consolidated Financial Statements of secunet Security Networks AG.

For secunet Security Networks AG and the companies it controls, other assurance services were provided mainly for services in connection with the inspection of the internal control and risk management system, the economic audit of the non-financial statement and the substantive audit of the Management Board remuneration report.

Related party disclosures

Transactions with related persons

The remuneration of key management personnel breaks down into the following categories pursuant to IAS 24:

in thousand euros	31 Dec 2022	31 Dec 2021
Management Board		
Short-term employee benefits	1,542.1	1,927.4
Post-employment benefits	44.0	61.8
Other long-term employee benefits	0.0	0.0
Share-based remuneration	10.5	545.1
Total	**1,596.6**	**2,534.3**
Supervisory Board		
Short-term employee benefits	118.8	88.0

The service cost resulting from the pension provisions for active members of the Management Board and the past service cost are reported as post-employment benefits. The disclosure of share-based remuneration refers to the expense from share-based remuneration in the financial year.

Provisions for pensions for members of the Management Board are recognised in the amount of 1,164 thousand euros (previous year: 1,758 thousand euros). According to the regulations of the German Commercial Code (HGB), these provisions amount to 1,652 thousand euros (previous year: 1,482 thousand euros).

Provisions for pensions for former members of the Management Board (IFRS) are recognised in the amount of 1,181 thousand euros (previous year: 1,481 thousand euros). According to the regulations of the German Commercial Code (HGB), these provisions amount to 1,471 thousand euros (previous year: 1,332 thousand euros).

Pension payments for former members of the Management Board were made in the amount of 44.1 thousand euros (previous year: 44.1 thousand euros).

Former members of the Management Board received fees of 31.6 thousand euros (previous year: 40.7 thousand euros) in connection with consultancy contracts.

The total remuneration of the active members of the Management Board pursuant to Section 314 (1) no. 6a of the German Commercial Code (HGB) for their work in the reporting year amounted to 1,916 thousand euros (previous year: 2,472 thousand euros). This includes the basic remuneration, fringe benefits and benefits in kind, short-term variable remuneration and the expense for long-term variable remuneration recognised in the financial year. For the long-term variable remuneration, provisional virtual shares were granted within the framework of the 2022 – 2025 tranche, the fair value of which amounted to 374 thousand euros at the time of allocation.

For further information on share-based payment, please refer to the explanations in Note 14.

A provision of 478 thousand euros (previous year: 860 thousand euros) was recognised for short-term variable remuneration in the financial year. The payment is measured according to the target achievement determined by the Supervisory Board on the basis of the applicable Management Board remuneration system and is scheduled for April 2023. The determination is made using the financial performance criteria of EBIT and sales revenue on an equally weighted basis. For the 2022 financial year, the EBIT target was set at 52 million euros and the sales target at 320 million euros.

If the target value for a set target is reached, the target achievement level is 100% in each case. The minimum value forms the lower end of the target corridor, at which the target achievement level is 50% for the respective target. The maximum value forms the upper end of the target corridor, at or above which the target achievement level is 200% for the respective target. If the value achieved in respect of a target falls below the minimum value, the target achievement level for this target corresponds to 0%. If the value achieved in respect of a target exceeds the minimum value but does not reach the target value, or if the value achieved exceeds the target value but does not reach the maximum value, the target achievement level for the target in question is determined by linear interpolation between the respective minimum and target values or between the respective target and maximum values.

In the financial year, members of the Management Board held 880 shares (previous year: 880 shares) in secunet Security Networks AG. As in the previous year, members of the Supervisory Board held no shares in secunet AG.

Supervisory Board remuneration for the reporting year totalled 118.8 thousand euros (previous year: 88.0 thousand euros). In addition, the employee representatives on the Supervisory Board receive remuneration at a normal market rate for their work.

Transactions with related companies of MC Familiengesellschaft mbH

secunet AG is a majority holding of Giesecke+Devrient GmbH, Munich, which has a 75.12% stake in the Company. secunet AG is included in the Consolidated Financial Statements of MC Familiengesellschaft mbH, Munich.

The following transactions were carried out in the specified period with group companies of MC Familiengesellschaft mbH on the usual market terms:

1. Sales revenues resulting from services performed for affiliated companies in the MC Familiengesellschaft Group

in euros	31 Dec 2022	31 Dec 2021
Parent company		
Giesecke+Devrient GmbH, Munich	11,269.23	121,098.48
Other affiliated companies		
Giesecke+Devrient Mobile Security GmbH, Munich	16,803.75	29,301.76
Veridos GmbH, Berlin	355,499.06	140,555.00
Veridos Mexico S.A. de C.V., Mexiko-City	0.00	5,120.00
Giesecke+Devrient Currency Technologies GmbH, Munich	611,540.60	252,841.60
Giesecke+Devrient Mobile Security Asia Pte. Ltd., Singapur	461.47	207.85
Giesecke+Devrient Group Services GmbH&Co. KG, Munich	7,289.58	0.00
Giesecke+Devrient advance52 GmbH, Munich	221,227.34	98,759.38
Total	**1,224,091.03**	**647,884.07**

The sales revenues with affiliated companies of the MC Familiengesellschaft Group are generated within the framework of hardware and service projects.

For projects with affiliated companies in the MC Familiengesellschaft Group, provisions for deferred costs of 0 thousand euros (previous year: 0 thousand euros) were created.

2. Services purchased from affiliated companies in the MC Familiengesellschaft Group

in euros	31 Dec 2022	31 Dec 2021
Parent company		
Giesecke+Devrient GmbH, Munich	59,610.53	78,348.73
Other affiliated companies		
Giesecke+Devrient Mobile Security GmbH, Munich	468,655.49	354,964.02
Giesecke and Devrient Mobile Security Australia Pty Ltd, Knoxfield / Victoria	22,306.00	0.00
Giesecke+Devrient Mobile Security Asia Pte. Ltd., Singapur	79,736.27	133,097.07
Giesecke+Devrient Immobilien Management GmbH, Munich	44,578.32	25,543.56
Veridos Mexico S.A. de, C.V., Mexico-City	0.00	336.00
Giesecke+Devrient Currency Technology FZE, Dubai / UAE	289,876.66	254,512.59
Total	**964,763.27**	**846,801.97**

3. Receivables from affiliated companies in the MC Familiengesellschaft Group

in euros	31 Dec 2022	31 Dec 2021
Parent company		
Giesecke+Devrient GmbH, Munich	0,00	3.784,79
Other affiliated companies		
Giesecke+Devrient Mobile Security GmbH, Munich	7.251,57	0,00
Giesecke+Devrient Currency Technologies GmbH, Munich	205.804,67	88.996,68
Veridos GmbH, Berlin	42.179,55	0,00
Giesecke+Devrient advance52 GmbH, Munich	40.962,07	31.230,06
Giesecke+Devrient Group Services GmbH & Co. KG, Munich	7.821,12	0,00
Total	**304.018,98**	**124.011,53**

Receivables from Group companies comprise 304,018.98 euros as trade receivables (previous year: 124,011.53 euros).

4. Payables to affiliated companies in the MC Familiengesellschaft Group

in euros	31 Dec 2022	31 Dec 2021
Parent company		
Giesecke+Devrient GmbH, Munich	20.930,40	638,80
Other affiliated companies		
Giesecke+Devrient Immobilien Management GmbH, Munich	4.420,68	4.342,41
Giesecke+Devrient Currency Technology FZE, Dubai / UAE	54.438,74	50.365,39
Giesecke+Devrient Mobile Security GmbH, Munich	0,00	47.606,11
Total	**79.789,82**	**102.952,71**

Payables to Group companies consist entirely of trade accounts payable.

Events after the balance sheet date

There were no events after the balance sheet date.

The Management Board

Essen, 21 March 2023

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

Independent auditor's report

To secunet Security Networks Aktiengesellschaft, Essen

Report on the audit of the consolidated financial statements and of the Group management report

Audit opinions

We have audited the consolidated financial statements of secunet Security Networks Aktiengesellschaft, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of secunet Security Networks Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with German legal requirements, we have not audited the content of those parts of the Group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

» the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of those parts of the Group management report specified in the "Other Information" section.

Pursuant to Section 322 (3), sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2), point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

» 1. Revenue recognition

» 2. Corporate acquisition of SysEleven GmbH

Our presentation of these key audit matters has been structured as follows:

» 1. Matter and issue

» 2. Audit approach and findings

» 3. Reference to further information

Hereinafter we present the key audit matters:

1. Revenue recognition

» 1. Revenue amounting to €347 million is reported in the income statement in the consolidated financial statements of secunet Security Networks Aktiengesellschaft. Revenue is recognised as at the date on which it arises or in the period during which it arises, depending on which services are rendered to customers.

secunet Group generates revenue from the sale of hardware products and software licences, which it recognises at the time the power of disposition transfers to the customer. If at that time further services are agreed with the customer, particularly for maintenance, updates and extended warranty commitments, revenue is realised for the period in which it arises over the term of the agreement. To that end, the individual components are allocated in the agreement to separate performance obligations and the agreed transaction price is allocated to the individual performance obligations according to the relative individual selling prices.

Furthermore, secunet Group realises revenue from the provision of specialised services relating to consulting on the implementation of comprehensive IT security solutions as well as the development of software, on the basis of work hours performed as at the reporting date or based on the percentage of completion.

Due to the structure of the customer base, which largely comprises public entities and entities from the industrial sector, such as automotive manufacturers, the number of orders and accordingly the volume of work contracted and performed is relatively greater in the fourth quarter of a given financial year than in the other quarters. In light of the large number of business transactions at the end of the financial year, combined with the different contractual agreements and a high share of multiple-component agreements, there is a material risk that the revenue in the financial year ended is not allocated to the correct period. Against this background, this matter was of particular significance for our audit.

» 2. As part of our audit, we used IT-based audit techniques to assess, among other things, the appropriateness and effectiveness of the Company's established internal control system with respect to order acceptance and invoicing to ensure full and correct recognition of revenue as well as the allocation of that revenue to the correct periods. Furthermore, we obtained an understanding of the underlying contractual agreements and assessed them with regard to the time at which revenue can be recognised in accordance with the rules of IFRS 15. We consulted and evaluated the corresponding contractual documents to assess the recognition of revenue, and primarily compared invoices for revenue, which were selected on a test basis for revenue which was realised in December 2022 and January 2023, against the associated orders, contracts, external delivery documentation, acceptance certificates and timesheets. Moreover, we obtained balance confirmations for trade receivables on a test basis. In instances where we did not receive responses with respect to the requested balances, we reviewed those balances on the basis of alternative audit procedures, particularly by comparing balances against the aforementioned external documents.

We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that revenue is allocated to the correct periods.

» 3. The disclosures relating to revenue are contained in the section "General principles" of the notes to the financial statements and in Section 16 "Sales revenue".

2. Corporate acquisition of SysEleven GmbH

» 1. secunet Security Networks Aktiengesellschaft acquired 100% of the shares in Berlin-based SysEleven GmbH in the 2022 financial year. The total purchase price amounted to €50.2 million plus a contingent purchase price obligation for the acquisition of €11.1 million. The business combination was accounted for in the consolidated financial statements of secunet Security Networks Aktiengesellschaft using the purchase method in accordance with IFRS 3. As part of the purchase price allocation, the identifiable assets and assumed liabilities of the acquired company were recognised at fair value. Taking into account the acquired net assets of €24.0 million, this results in total acquired goodwill of €37.3 million. Due to the complexity of the measurement of the assets and liabilities to be recognised as part of the purchase price allocation and the material impact of the acquisition on the net assets, financial position and financial performance of secunet Group, this matter was of particular importance in the context of our audit.

» 2. As part of our audit, we assessed how the acquisition was reflected in the balance sheet with the support of our internal valuation specialists. For this purpose, we first inspected and verified the contractual agreements of the company acquisition. In conjunction with this, we reconciled with the evidence provided to us, among other things, the purchase price paid by secunet Security Networks Aktiengesellschaft as consideration for the shares received. Based on this, we assessed the opening balance sheet values underlying the acquisition. In particular, we verified the completeness of the identification of the assets and liabilities and the methodology used to value them. With regard to the contingent purchase price liability, we compared the calculation model for determining the purchase price liability with the purchase agreement as well as the corporate planning of SysEleven GmbH. Furthermore, the completeness of the disclosures required by IFRS 3 was verified through the use of checklists. Overall, we were able to satisfy ourselves that, taking into account the available information, the acquisition of the company was sufficiently documented and appropriately represented.

» 3. The Company's disclosures on the acquisition are included in the section "Consolidated group" in the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group management report:

» the non-financial statement on compliance with sections 289b to 289e of the German Commercial Code (HGB) and sections 315b to 315c of the German Commercial Code (HGB) contained in section "Combined non-financial statement of the Company and the Group" of the Group management report

» the subsection "Statement on the appropriateness and effectiveness of governance systems" of the section "Risk management and internal control system" of the Group management report

The other information also comprises:

» the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB

» the remuneration report pursuant to Section 162 AktG, for which the Supervisory Board is additionally responsible

» all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, with the Group management report disclosures audited in terms of content, or with our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent accounting manipulations and misstatements of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group Management Report.

Auditor’s responsibilities for the audit of the consolidated financial statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or the overriding of internal controls.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our assurance conclusion.

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where relevant, the actions taken or safeguards implemented to address threats to our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with Section 317 (3a) HGB on the electronic reproduction of the consolidated financial statements and the Group management report prepared for publication purposes

Audit opinion

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the electronic file secunet_AG_KA_KLB_ESEF_2022_12_31.ZIP and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the reasonable assurance conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Control in Audit Firms (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1), sentence 4, no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1), sentence 4, no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor’s responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 32 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

» Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

» Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

» Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

» Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.

» Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the Annual General Meeting on 25 May 2022. We were engaged by the Supervisory Board on 13 December 2022. We have been the Group auditor of secunet Security Networks Aktiengesellschaft, Essen, without interruption since the 2020 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to any other matter – use of the audotor's report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the Group management report converted into the ESEF format – including the versions to be entered in the central register of companies – are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and do not replace them. In particular, the "Assurance Report in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes" and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Philip Meyer zu Spradow.

Essen, 22 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Philip Meyer zu Spradow
German Public Auditor

Michael Herting
German Public Auditor

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Group Management Report includes a true and fair presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Essen, 21 March 2023

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

4. Annual Financial Statements

of secunet Security Networks Aktiengesellschaft, Essen

Annual Financial Statements

of secunet Security Networks Aktiengesellschaft, Essen

Balance sheet

(according to HGB) as at 31 December 2022

Assets

in euros	Note	31 Dec 2022	31 Dec 2021
A. Fixed assets			
I. Intangible fixed assets		2,014,574.00	2,441,799.00
II. Tangible fixed assets		7,581,236.00	7,231,691.86
III. Financial assets		82,107,718.80	17,795,208.76
Total fixed assets	1	**91,703,528.80**	**27,468,699.62**
B. Current assets			
I. Inventories	2	75,080,274.00	51,609,166.90
II. Receivables and other assets	3	80,493,079.36	40,925,106.61
III. Cash in hand and balances with credit institutions	4	15,884,905.00	106,230,783.40
Total current assets		**171,458,258.36**	**198,765,056.91**
C. Prepaid expenses and accrued income	5	13,246,918.09	8,992,876.95
Total assets		**276,408,705.25**	**235,226,633.48**

Liabilities

in euros	Note	31 Dec 2022	31 Dec 2021
A. Equity			
Subscribed capital		6,500,000.00	6,500,000.00
Nominal value of treasury shares		-30,498.00	-30,498.00
I. Issued capital		6,469,502.00	6,469,502.00
II. Capital reserves		21,656,305.42	21,656,305.42
III. Retained earnings			
Other retained earnings		76,360,410.84	57,956,113.28
IV. Net accumulated profit		18,502,775.72	34,805,920.76
Total equity	6	**122,988,993.98**	**120,887,841.46**
B. Provisions	7	30,252,570.03	42,341,928.90
C. Liabilities	8	66,301,648.49	25,779,715.61
D. Deferred income and accrued expenses	9	56,865,492.75	46,217,147.51
Total liabilities		**276,408,705.25**	**235,226,633.48**

Income statement

(according to HGB) for the period from 1 January 2022 to 31 December 2022

in euros	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Sales revenue	10	329,534,432.36	327,421,606.76
Decrease / increase of unfinished services, work in progress & finished goods		747,550.20	-741,776.81
Other operating income	11	4,465,725.81	3,378,635.96
Materials expenses	12	-176,843,570.24	-168,429,812.57
Personnel expenses	13	-71,835,751.66	-70,653,078.36
Depreciation and amortisation of intangible fixed assets and tangible fixed assets	14	-4,258,562.95	-4,068,632.97
Other operating expenses	15	-30,645,118.52	-24,007,781.65
Income from equity investments	16	3,299,584.25	2,449,194.78
Financial result	17	-353,473.97	-1,567,374.67
Income taxes	18	-17,094,660.00	-20,306,557.68
Earnings after taxes		**37,016,155.28**	**43,474,422.79**
Other taxes	18	-109,082.00	6,211.36
Net income for the year		**36,907,073.28**	**43,480,634.15**
Transfer to other retained earnings		-18,404,297.56	-8,674,713.39
Net accumulated profit	19	**18,502,775.72**	**34,805,920.76**

Notes

regarding secunet Security Networks Aktiengesellschaft
for the 2022 financial year (according to HGB)

General principles

secunet Security Networks Aktiengesellschaft in Essen, Germany (hereinafter referred to as "secunet AG" or the "Company") is a large public liability company within the meaning of Section 267 (3), sentences 1 and 2 of the German Commercial Code (Handelsgesetzbuch, HGB) and is entered in the Commercial Register at Essen Local Court (Reg. No. 13615).

The Annual Financial Statements of secunet AG are prepared in accordance with the regulations of the HGB and taking the supplementary provisions of the German Stock Corporation Act (Aktiengesetz, AktG) into account.

The valuations as at 31 December 2021 were adopted unchanged.

The financial statements have been prepared on the assumption that the Company is a going concern.

The income statement is based on the total expenditure format.

In order to enhance the clarity and transparency of the reporting, the balance sheet and the income statement combine certain individual items, which are reported in depth and explained in the Notes. In addition to the standard breakdown under commercial law, the item "Premium reserve shares from reinsurance contracts" was added to the item "Financial assets" in the "Changes in fixed assets" overview (Appendix to the Notes).

Accounting and valuation methods

Recognition and measurement are performed according to the principles set out below:

Assets

Fixed assets

Intangible and tangible fixed assets

The purchased **intangible fixed assets** are capitalised at their historical costs upon acquisition and are depreciated on a scheduled straight-line basis over their expected useful life. The useful life is between 3 and 5 years. An impairment loss is recognised in the event of permanent impairment. Using the option permitted under Section 248 (2), sentence 1 HGB, development costs are not capitalised.

Under this item, goodwill purchased during the 2016 financial year is being depreciated on a straight-line basis over a useful life of ten years in accordance with Section 253 (3), sentence 4 HGB, as the expected useful life cannot be estimated reliably.

Assets were acquired as part of an asset deal as of 1 July 2017. The assets and liabilities acquired are recognised at the fair value, and the purchase price in excess of this value has been reported as goodwill. This goodwill will be depreciated on a straight-line basis over an average remaining useful life of nine years, since the software purchased as part of the asset deal must be retained for a customer project with an average lifetime of nine years.

Tangible fixed assets are measured at the lower of historical cost or fair value if a long-term impairment is expected and are depreciated on a straight-line basis over the expected useful life. The useful life is between 3 and 5 years. An impairment loss is recognised in the event of permanent impairment.

Since 2008, newly acquired assets have been depreciated exclusively on a straight-line basis.

Fixed assets with historical costs of less than 1,000 euros (low-value fixed assets) are divided into two groups. Since the 2018 financial year, assets with historical costs of up to 250 euros have been written off to their full amount in the year of purchase. Assets with historical costs between 250 euros (previously 150 euros) and 1,000 euros are placed in a so-called "collective item" and written off in the year of purchase and over the next four years on a straight-line basis.

Financial assets
Shares in affiliated companies and holdings are recognised at historical cost.

Value adjustments to the lower fair value are made if there is likely to be a permanent impairment. Lower valuations are retained unless a higher carrying amount up to a maximum of the original historical cost is required.

Loans to affiliated companies and to companies in which there is a participating interest are shown at nominal value.

Reinsurance contracts are measured at fair value.

Current assets

Inventories are measured at historical cost or production cost or at the lower fair value on the balance sheet date. The production cost of unfinished services as well as work in progress and finished goods includes not only the directly allocable costs, but also necessary material and production overheads as well as general administrative expenses. Voluntary social security contributions, occupational pension expense and interest on borrowings are not carried as an asset. The principles of loss-free valuation are applied.

Trade goods are measured at the lower of historical cost calculated using a sliding average and fair value.

Receivables and other assets are measured at nominal value less appropriate discounts for identifiable individual risks. The general credit risk is taken into account by means of a general loan loss provision of 1%.

Cash in hand and balances with credit institutions are measured at their nominal value.

Expenses prior to the balance sheet date, insofar as they represent expenses for a specific period after the balance sheet date, are reported under prepaid expenses and accrued income.

Liabilities

Provisions

Provisions for pensions and similar liabilities are determined in accordance with the expert opinion of an actuary, based on the projected one-off contribution method ("Projected Unit Credit Method"), using Professor Klaus Heubeck's 2018 G mortality tables. An actuarial interest rate of 1.88% (previous year: 1.99%) was calculated for the valuation, which in accordance with the provisions of Section 253 (2), sentence 2 HGB was derived in December 2022 from the average market interest rate of the past ten (previous year: ten) financial years with an assumed residual term of 19 (previous year: 19) years, projected to 31 December 2022.

Applying an average market interest rate from the past seven financial years (1.53% (previous year: 1.47%)), this would lead to an obligation in the amount of 8,184,610 euros as at 31 December 2022. The difference in relation to the pension provisions evaluated with an average market interest rate from the past ten financial years (1.88%) stood at 517,960 euros as at 31 December 2022 (previous year: 725,092 euros); this amount must be taken into account in determining the amount blocked for distribution purposes (Section 253 (6), sentence 2 HGB).

The impact on income from the change to the actuarial interest rate is recorded in the financial result. Furthermore, the valuation of direct pension obligations is based on the assumption of 2.5% dynamic growth of eligible remuneration (previous year: 2.5%), 2.0% dynamic adjustment of current pensions (previous year: 1.7%) and a fluctuation of 5.5% (previous year: 5.5%) on average.

In accordance with the valuation rules of Section 253 (1), sentence 2 HGB, provisions for pensions must be reported at their settlement value with effect from 2010.

The amount required to be allocated to the pension provisions was calculated as at the transition date of 1 January 2010. The difference at that time from the revaluation of the obligations totalled 746,432 euros. With reference to the option provided for under Article 67 (1), sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), secunet AG allocated the amount of 49,763 euros (1/15 minimum allocation p.a.) to other operating expenditure in the 2021 financial year. The resulting coverage shortfall as at 31 December 2022 is therefore 99,513 euros.

Tax provisions and other provisions are created according to prudent business judgement, taking account of all identifiable and uncertain obligations and the required settlement amount expected. Provided that provisions with a residual term of longer than one year exist, these are discounted at the average market interest rate.

The liabilities are recognised at their settlement value.

Earnings prior to the balance sheet date that represent income for a certain period after this date are reported under deferred income and accrued expenses.

Assets and liabilities denominated in foreign currency with a remaining term of up to one year are converted on the basis of the average spot exchange rate on the reporting date. The initial valuation was carried out at the spot exchange rate.

Deferred taxes

The table below shows asset and liability surpluses, these being only asset surpluses in the case of secunet AG.

in euros	Assets	Liabilities
Fixed assets	38,092.26	0.00
Goodwill	72,280.98	0.00
Provisions for pensions	1,376,295.71	0.00
Other provisions	445,984.37	0.00
Inventories	108,698.00	0.00
Total	**2,041,351.32**	**0.00**

A tax rate of 31.97% (previous year: 31.98%) is applied. Using the option permitted under Section 274 (1), sentence 2 HGB, deferred tax assets were not posted in the balance sheet.

Income statement

The sales revenue is recognised once the service has been provided or the risk associated with the products sold has passed to the customer. Services are usually invoiced on the basis of the hours worked. For mixed transactions, the recognition criteria must be applied separately for each partial delivery. Satisfaction of a performance obligation in project business is basically defined by means of acceptance protocols.

Sales revenue is shown less value-added tax and any discounts when the sale of goods or services has taken place and the risks and rewards associated with ownership have been substantially transferred.

Notes to the balance sheet and income statement

1. Fixed assets

The breakdown of and changes in secunet AG's fixed assets can be found in the statement of fixed assets. The statement of fixed assets is included as an Appendix to the Notes.

The ownership of shares can be shown as follows at the balance sheet date:

- secunet International GmbH & Co. KG, Essen, 100% participation, equity of the Company as at 31 December 2022 100 thousand euros, net income for 2022 3,239 thousand euros.
- secunet International Management GmbH, Essen, 100% participation, equity of the Company as at 31 December 2022 54 thousand euros, net income for 2022 5 thousand euros.
- finally safe GmbH, Essen, 100% participation, equity of the Company as at 31 December 2022 54 thousand euros, net income for 2022 –9 thousand euros.
- secustack GmbH, Dresden, 51% participation, equity of the Company as at 31 December 2022 228 thousand euros, net income for 2022 –170 thousand euros.
- secunet Inc., Austin, Texas, USA, 100% participation; the equity and net income for the year have not been disclosed due to the secondary importance of the company.
- stashcat GmbH, Hanover, 100% participation, equity of the Company as at 31 December 2022 –1,269 thousand euros, net income for 2022 –895 thousand euros.
- SysEleven GmbH, Berlin, 100% participation, equity of the Company as at 31 December 2022 1.798 thousand euros, net income for 2022 –459 thousand euros.

2. Inventories

in euros	31 Dec 2022	31 Dec 2021
Unfinished services	2,912,903.68	2,865,802.83
Work in progress	1,169,325.40	502,058.35
Finished goods	265,035.40	231,853.10
Trade goods	69,553,670.20	46,467,699.97
Advance payments	1,179,339.32	1,541,752.65
Total	**75,080,274.00**	**51,609,166.90**

The increase in the levels of trade goods at the balance sheet date was due to efforts to ensure the short to medium-term delivery capacity of the product business.

3. Receivables and other assets

in euros	31 Dec 2022	31 Dec 2021
Trade receivables	68,643,877.56	29,621,127.48
Intercompany receivables	9,457,389.67	10,652,803.95
of which trade receivables	6,201,519.16	8,211,829.00
of which transfer of net income	3,255,870.51	2,440,974.95
Other assets	2,391,812.13	651,175.18
Total	**80,493,079.36**	**40,925,106.61**

Trade receivables include receivables of 0.00 euros (previous year: 1,575,669.48 euros) with a residual term of more than one year.

The residual term of all other receivables and other assets was up to one year.

4. Cash in hand and balances with credit institutions

The liquid funds comprise cash in hand and bank balances amounting to a total of 15,884,905.00 euros (previous year: 106,230,783.40 euros).

5. Prepaid expenses and accrued income

Prepaid expenses include accruals of 13,246,918.09 euros (previous year: 8,992,876.95 euros). These are mainly short and long-term advance payments for product services sold as part of customer projects.

6. Equity

The share capital is 6,500,000.00 euros. It is divided into 6,500,000 bearer shares without par value.

In total, the Company continues to hold 30,498 treasury shares as at the balance sheet date (previous year: 30,498 shares). They correspond to an arithmetical value of 0.469% or 30,498 euros of the share capital (previous year: 0.469%). The nominal value of the treasury shares was openly offset against share capital.

The treasury shares were purchased at nominal value as part of a share option programme for secunet employees in the years from 2001 to 2002.

The Annual General Meeting on 25 May 2022 resolved to appropriate the balance sheet profit of 34,805,920.76 euros for the 2021 financial year to pay out a dividend. As of 31 May 2022, a payment of 5.38 euros per share (6,469,502 individual shares) was made, making a total of 34,805,920.76 euros.

18,404,297.56 euros (= 49.87%) of the net income for the year 2022 totalling 36,907,073.28 euros will be deposited in the other retained earnings in accordance with Section 58 (2), sentence 1 AktG.

The balance sheet profit as at 31 December 2022 is therefore 18,502,775.72 euros (previous year: 34,805,920.76 euros).

The majority shareholder, Giesecke+Devrient GmbH, Munich, holds a stake of 75.12% in secunet AG.

7. Provisions

in euros	31 Dec 2022	31 Dec 2021
Provisions for pensions and similar liabilities	7,567,137.00	6,737,035.00
Provisions for taxes	2,227,569.25	8,467,136.54
Other provisions	20,457,863.78	27,137,757.36
Total	**30,252,570.03**	**42,341,928.90**

The breakdown of other provisions is shown in the table below:

in euros	31 Dec 2022	31 Dec 2021
Non-current provisions		
Provisions for anniversary bonuses	494,635.00	446,991.00
Long-term provision for share-based remuneration	555,575.00	545,089.00
Asset retirement and maintenance measures	404,970.99	1,060,489.50
Current provisions		
Annual employee bonuses	12,026,462.00	18,066,484.00
Commissions	1,352,972.28	1,115,865.07
Covid-19 employee bonus	0.00	361,000.00
Warranties	647,000.00	571,000.00
Outstanding incoming invoices	980,325.85	1,568,109.07
Accrued holidays	1,876,275.25	1,668,566.66
Deferred costs	0.00	661,098.95
Accounting and auditing costs	276,200.00	194,940.00
Professional association contributions	287,666.97	255,650.00
Others	1,555,780.44	622,474.11
Total	**20,457,863.78**	**27,137,757.36**

For the 2022 financial year, the provision for commissions comprises payments due for the distribution of SINA licences, Elster sticks and connectors.

The warranty provisions pertain to a provision for obligations arising from a three-year warranty agreement for specific SINA core modules in the amount of 647 thousand euros.

The provision for asset retirement and maintenance measures essentially involves asset retirement and maintenance measures to be performed by the Company for leased properties in Dresden, Essen, Munich and Hanover. A revaluation of the asset retirement obligations took place in this financial year. It resulted in a release of the asset retirement obligations in the amount of 655 thousand euros.

8. Liabilities

in euros	31 Dec 2022	31 Dec 2021
Advance payments received on account of orders	6,842,295.04	1,047,612.44
Trade payables	30,466,461.25	20,043,355.23
Intercompany payables	5,582,278.27	59,440.26
of which trade payables	782,278.27	59,440.26
of which loans	4,800,000.00	0.00
Other liabilities	23,410,613.93	4,629,307.68
of which taxes	11,561,854.16	4,564,388.70
of which relating to social security	9,996.20	4,668.64
Total	**66,301,648.49**	**25,779,715.61**

Of the liabilities, 55,158,005.49 euros (previous year: 25,779,715.61 euros) have a term of less than one year. Liabilities amounting to 11,143,643.00 euros (previous year: 0.00 euros) do not legally arise until after the balance sheet date.

9. Deferred income and accrued expenses

Given the increase in the support business, earnings are increasingly accrued in conjunction with performance after the balance sheet date.

10. Sales revenue

The sales revenue was generated in the following regions:

in euros	2022	2021
Domestic	318,526,166.43	319,998,594.72
Abroad	11,008,265.93	7,423,012.04
Total	**329,534,432.36**	**327,421,606.76**

This sales revenue can be attributed to the divisions as follows:

in euros	2022	2021
Public	282,184,863.83	267,723,386.87
Business	47,349,568.53	59,698,219.89
Total	**329,534,432.36**	**327,421,606.76**

11. Other operating income

The other operating income of 4,465,725.81 euros (previous year: 3,378,635.96 euros) mainly includes public project grants (711,698.75 euros, previous year: 922,633.57 euros), reimbursements from damages (43,078.61 euros, previous year: 28,076.21 euros), income from the release of provisions (2,529,543.59 euros, previous year: 599,883.21 euros), actuarial income from the adjustment of old-age and survivors' insurance premium reserve (1,056,386.39 euros, previous year: 182,112.36 euros) and other income (125,018.47 euros, previous year: 136,863.21 euros).

Income from currency conversion stood at 23,915.53 euros (previous year: 5,165.28 euros).

Approximately 2.5 million euros (56.64%) of the other operating income relates to other periods and results from the release of provisions.

12. Materials expenses

in euros	2022	2021
Cost of purchased goods	158,151,738.26	153,866,943.27
Cost of purchased services	18,691,831.98	14,562,869.30
Total	**176,843,570.24**	**168,429,812.57**

13. Personnel expenditure

in euros	2022	2021
Wages and salaries	61,445,157.06	61,285,328.31
Social security costs	9,734,410.10	9,129,001.33
Expenses for retirement pensions	561,926.15	207,231.06
Expenses for support	94,258.35	31,517.66
Total	**71,835,751.66**	**70,653,078.36**

14. Depreciation and amortisation of intangible assets and depreciation of property, plant and equipment

Depreciation and amortisation are broken down by individual item in the statement of fixed assets (see Appendix to the Notes).

15. Other operating expenses

in euros	2022	2021
secunet Group services	1,041,565.55	14,432.00
Rental costs	5,748,478.30	4,892,333.30
Inspection, consulting, legal protection	2,192,667.13	1,775,176.03
Travel expenses	2,046,674.22	847,833.23
Sales commission	2,047,106.77	1,702,318.30
Addition to other provisions	576,000.00	1,270,036.75
Advertising costs	2,677,950.50	2,270,056.33
Ancillary personnel expenses	3,104,837.18	1,989,208.67
Communication costs	1,631,234.00	1,713,051.53
Company car costs	1,120,150.37	1,015,766.33
Maintenance costs	1,164,893.75	2,321,075.24
Other third-party services	2,699,663.86	1,667,821.69
Entertainment and representation	397,147.43	187,548.10
Insurance premiums	432,356.10	332,896.62
Fees	346,181.74	255,208.11
Licences and concessions	1,678,144.76	920,804.22
Extraordinary items arising in relation to BilMoG – Revaluation of pension provisions	49,763.00	49,763.00
Other costs	1,699,303.86	782,452.20
Total	**30,654,118.52**	**24,007,781.65**

Expenses resulting from currency conversion stood at 30,834.78 euros (previous year: 17,463.93 euros).

16. Erträge aus Beteiligungen

Income from equity investments includes the net income for the year of secunet International GmbH&Co. KG, Essen, in the amount of 3,299,584.25 euros (previous year: 2,449,194.78 euros). In addition, income in the amount of 60,222.03 euros was generated from the liquidation of secunet s.r.o., Prague. In both cases, this is income from affiliated companies.

17. Financial result

in euros	2022	2021
Other interest and similar income	90,319.99	2,103.95
of which from affiliated companies	36,866.87	1,746.30
Depreciation and amortisation of financial assets of all subsidiaries	0.00	-862,000.00
Interest and similar expenses	-443,793.96	-707,478.62
of which from interest accrued during the year	-296,968.88	-707,446.62
Total	**-353,473.97**	**-1,567,374.67**

18. Taxes

in euros	2022	2021
Income taxes	17,094,660.00	20,306,557.68
Other taxes	109,082.00	-6,211.36
Total	**17,203,742.00**	**20,300,346.32**

The income taxes relate predominantly to the 2022 financial year. Expenses of 354,819.00 euros and income of 49,000.00 euros are related to other accounting periods.

19. Appropriation of the balance sheet profit

Proposal for the appropriation of distributable earnings

From the balance sheet profit of 34,805,920.76 euros reported for the 2022 financial year, dividends of 5.38 euros per share (totalling 34,805,920.76 euros) were distributed in the 2022 financial year in accordance with the resolution of the Annual General Meeting on 25 May 2022.

secunet AG's Annual Financial Statements under commercial law for the 2022 financial year show net income for the year of 36,907,073.28 euros. Of this sum, 18,404,297.56 euros (= 49.87%) will be transferred to the other retained earnings in accordance with Section 58 (2), sentence 1 AktG. This results in a balance sheet profit of 18,502,775.72 euros.

The Management Board will propose to the Annual General Meeting that a regular dividend of 2.86 euros per dividend-bearing share be distributed on the dividend-bearing share capital of 6,469,502.00 euros (corresponding to a regular distribution of around 50% of the net profit for the year), i.e. a total of 18,502,775.72 euros. When determining the share capital entitled to a dividend, the total of 30,498 treasury shares was deducted.

in euros	2022
Balance sheet profit as at 1 Jan 2022	34,805,920.76
Dividend payment in 2022	-34,805,920.76
Net income for the year 2022	36,907,073.28
Transfer to other retained earnings	-18,404,297.56
Balance sheet profit at 31 Dec 2022	**18,502,775.72**
Proposal for the appropriation of distributable earnings	
Dividend payment in 2023	-18,502,775.72
Carryforward	**0.00**

Other Notes

Employees

The average headcount over the year was 782 (previous year: 682). In addition, 96 temporary workers (previous year: 97) were also employed, making a total of 878 (previous year: 780) employees.

Other financial liabilities

As at the balance sheet date, other financial liabilities totalled 13,901,339.63 euros. They consisted mainly of the nominal amount of liabilities arising from office tenancy agreements and lease agreements for company vehicles, of which 3,330,830.23 euros have less than one year to run and 7,349,507.85 euros are due within a period of between one year and five years. Liabilities amounting to 3,221,001.55 euros are due after more than five years. Of the total liabilities, there is a sublease agreement with SysEleven GmbH. Of this amount, 107,441.34 euros are due within one year.

Open purchase orders

As at 31 December 2022, there were liabilities with regard to open purchase orders for goods and services in the amount of 15,598,732.71 euros.

Contingent liabilities

The Company has contingent liabilities in the amount of 5,130.00 euros (previous year: 6,113.00 euros) from a debt entry and release agreement with secunet International GmbH&Co. KG, Essen, with regard to secured direct commitments (pension, anniversary and death benefit obligations) to employees, which were transferred to the respective company as part of the transfer of operations in accordance with Section 613a of the German Civil Code (BGB) with effect from 1 January 2018.

It is not expected that these contingent liabilities will be realised due to the current economic situation of the subsidiary.

Relations with affiliated companies

Through Giesecke+Devrient GmbH, Munich, the Company is an affiliated company of MC Familiengesellschaft mbH, Munich, which prepares the Consolidated Financial Statements for the largest group of companies. Additionally, the Company is included in the Consolidated Financial Statements of Giesecke+Devrient GmbH, Munich. Giesecke+Devrient GmbH prepares the Consolidated Financial Statements for the smallest group of companies. The Consolidated Financial Statements are published in the central register of companies.

Auditors' fees

The total fee charged by the Company's auditors is broken down into audit services, other assurance services and other services in the corresponding disclosure in the Consolidated Financial Statements of secunet Security Networks AG.

For secunet Security Networks AG and the companies it controls, other assurance services were provided mainly for services in connection with the inspection of the internal control and risk management system, the economic audit of the non-financial statement and the substantive audit of the Management Board remuneration report.

Other

The total remuneration of the active members of the Management Board pursuant to Section 285 no. 9 of the German Commercial Code (HGB) for their work in the reporting year amounted to 1,916 thousand euros (previous year: 2,472 thousand euros). This includes the basic remuneration, fringe benefits and benefits in kind, short-term variable remuneration and the expense for long-term variable remuneration recognised in the financial year. For the long-term variable remuneration, provisional virtual shares were granted within the framework of the 2021–2024 and 2022–2025 tranches, the fair value of which amounted to 545 thousand euros and 374 thousand euros, respectively, at the time of allocation.

A provision of 478 thousand euros was recognised for short-term variable remuneration in the financial year. The payment is measured according to the target achievement determined by the Supervisory Board on the basis of the applicable Management Board remuneration system and is scheduled for April 2023. The determination is made using the financial performance criteria of EBIT and sales revenue on an equally weighted basis.

For former members of the Management Board, liabilities from pension commitments amounted to 1,470 thousand euros as at the reporting date (previous year: 1,332 thousand euros).

Pension payments for former members of the Management Board were made in the amount of 44.1 thousand euros (previous year: 44.1 thousand euros).

Former members of the Management Board received fees of 31.6 thousand euros (previous year: 40.7 thousand euros) in connection with consultancy contracts.

Supervisory Board remuneration in the financial year totalled 118.6 thousand euros (previous year: 88.0 thousand euros). And in addition, the employee representatives on the Supervisory Board who are employed by the Group received salaries as per the scope of their employment. The salary levels corresponded to an appropriate remuneration for corresponding functions and tasks in the Group.

Members of the Management Board held 880 shares in the Company as at the reporting date.

The members of the Supervisory Board held no shares in the Company as at the reporting date.

The Management Board and Supervisory Board issued the declaration pursuant to Section 161 AktG in respect of secunet AG. This has been made permanently available to shareholders on the Company's website (www.secunet.com) under >> About Us >> Investors >> Corporate Governance.

Declarations pursuant to Section 160 (1), no. 8 AktG:
Voting rights are held in the Company as at the balance sheet date for 2022. The following disclosures are based on those disclosures made by the parties subject to notification obligations in accordance with Section 33 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

11 October 2012: Publication of voting-right notices in accordance with Section 21 (1) WpHG (old version)
MC Familiengesellschaft mbH, headquartered in Tutzing, Germany informed us in accordance with Section 21 (1) WpHG on 9 October 2012 that the MC Familiengesellschaft mbH share of the voting rights in secunet Security Networks AG, Essen, Germany, ISIN: DE0007276503, WKN: 727650, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on 8 October 2012, and on this date totalled 79.43% (corresponding to 5,163,102 voting rights).

Of these, in accordance with Section 22 (1), sentence 1, no. 1 WpHG, 78.96% are attributable to MC Familiengesellschaft mbH (corresponding to 5,132,604 voting rights) via Giesecke+Devrient Gesellschaft mit beschränkter Haftung, Munich, and 0.47% (corresponding to 30,498 voting rights) via secunet Security Networks AG, Essen.

12 February 2009: Publication of a voting-right notice in accordance with Section 21 (1) WpHG (old version)
Giesecke&Devrient Holding GmbH, Munich, Germany, informed us in accordance with Section 21 (1) WpHG on 10 February 2009 that its share of the voting rights in secunet Security Networks AG, Kronprinzenstrasse 30, 45128 Essen, Germany, ISIN: DE0007276503, exceeded the thresholds of 5%, 10%, 25%, 50% and 75% on 30 November 2006 and amounted to 76.38% (corresponding to 4,964,958 voting rights) as of that date.

Of these, 50% + 1 share (corresponding to 3,250,001 voting rights) are attributable to Giesecke&Devrient Holding GmbH pursuant to Section 22 (1), sentence 1, no. 1 WpHG via Giesecke&Devrient GmbH, Munich, and 26.38% (corresponding to 1,714,957 voting rights) pursuant to Section 22 (2) WpHG via RWTÜV AG, Essen.

Corporate bodies

Management Board

- Qualified industrial engineer Axel Deininger, Chairman of the Management Board / CEO
- Torsten Henn, Member of the Management Board / COO
- Dr Kai Martius, Member of the Management Board / CTO
- Qualified business economist Thomas Pleines, Chief Financial Officer / CFO

Supervisory Board

Dr Ralf Wintergerst, Baldham
Chairman

Chairman of the Management Board and CEO of Giesecke+Devrient GmbH, Munich

Other directorships:
- Veridos GmbH (Chairman)
- Netcetera AG, Zürich / Switzerland (President)

Dr oec. Peter Zattler, Grünwald
Vice Chairman

Member of the Management Board and CEO of Giesecke+Devrient GmbH, Munich

Other directorships:
- Veridos GmbH, Berlin
- Veridos Matsoukis S.A., Athens / Greece

Dr rer pol Elmar Legge, Schermbeck
Member of the Supervisory Board

Member of the Management Board of the GREIF Foundation, Mülheim an der Ruhr

Other directorships:
- AKTAIOS GmbH, Essen
- RWTÜV GmbH, Essen
- TÜV Thüringen e.V, Erfurt (until 15 June 2022)

Jörg Marx, Dresden
Employee representative

No other directorships

Gesa-Maria Rustemeyer, Berlin
Employee representative

No other directorships

Professor Dr-Ing Günter Schäfer, Berlin
Member of the Supervisory Board

University professor, University of Technology, Ilmenau

No other directorships

Events after the balance sheet date

There were no events after the balance sheet date.

Essen, 21 March 2023

Axel Deininger Torsten Henn

Dr Kai Martius Thomas Pleines

Changes in fixed assets

of secunet Security Networks Aktiengesellschaft in the financial year 2022 (Appendix to the Notes)

	Historical costs				
in euros	01 January 2022	Additions	Reclassifica-tions	Disposals	31 December 2022
A. Intangible fixed assets					
Acquired concessions, industrial property rights and similar rights and values, and licences to such rights	120,000.00	0.00	0.00	0.00	120,000.00
Acquired software	4,543,359.88	439,374.96	0.00	-52,528.37	4,930,206.47
Goodwill	3,795,966.00	0.00	0.00	0.00	3,795,966.00
Intangible assets under construction	0.00	0.00	0.00	0.00	0.00
Intangible fixed assets, total	**8,459,325.88**	**439,374.96**	**0.00**	**-52,528.37**	**8,846,172.47**
B. Tangible fixed assets					
Other equipment, factory and office equipment	22,421,703.20	3,862,913.13	41,683.38	-1,028,061.78	25,339,921.31
Assets under construction	41,683.38	0.00	-41,683.38	0.00	-41,683.38
Tangible fixed assets, total	**22,463,386.58**	**3,862,913.13**	**0.00**	**-1,028,061.78**	**25,298,237.93**
C. Financial assets					
Shares in affiliated companies	13,811,858.75	62,469,204.04	0.00	-27,301.68	76,253,761.11
Shares in affiliated partnerships	108,231.00	0.00	0.00	0.00	108,231.00
Loans to affiliated companies	1,213,550.26	1,430,000.00	0.00	-600,000.00	2,043,550.26
Premium reserve shares from reinsurance contracts	6,414,381.00	1,013,306.00	0.00	0.00	7,427,687.00
Financial assets, total	**21,548,021.01**	**64,912,510.04**	**0.00**	**-627,301.68**	**85,833,229.37**
Total fixed assets	**52,470,733.47**	**69,214,798.13**	**0.00**	**-1,707,891.83**	**119,977,639.77**

Accumulated depreciations					Carrying amounts	
01 January 2022	Additions	Reclassifica-tions	Disposals	31 December 2022	31 December 2022	31 December 2020
120,000.00	0.00	0.00	0.00	120,000.00	0.00	0.00
2,517,411.88	774,979.96	0.00	-52,528.37	3,239,863.47	1,690,343.00	2,025,948.00
3,380,115.00	91,620.00	0.00	0.00	3,471,735.00	324,231.00	415,851.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
6,017,526.88	**866,599.96**	**0.00**	**-52,528.37**	**6,831,598.47**	**2,014,574.00**	**2,441,799.00**
15,231,694.72	3,391,962.99	0.00	-906,655.78	17,717,001.93	7,622,919.38	7,190,008.48
0.00	0.00	0.00	0.00	0.00	-41,683.38	41,683.38
15,231,694.72	**3,391,962.99**	**0.00**	**-906,655.78**	**17,717,001.93**	**7,581,236.00**	**7,231,691.86**
3,139,261.99	0.00	0.00	-27,301.68	3,111,960.31	73,141,800.80	10,672,596.76
0.00	0.00	0.00	0.00	0.00	108,231.00	108,231.00
613,550.26	0.00	0.00	0.00	613,550.26	1,430,000.00	600,000.00
0.00	0.00	0.00	0.00	0.00	7,427,687.00	6,414,381.00
3,752,812.25	**0.00**	**0.00**	**-27,301.68**	**3,725,510.57**	**82,107,718.80**	**17,795,208.76**
25,002,033.85	**4,258,562.95**	**0.00**	**-986,485.83**	**28,274,110.97**	**91,703,528.80**	**27,468,699.62**

Independent auditor's report

To secunet Security Networks Aktiengesellschaft, Essen

Report on the audit of the annual financial statements and of the management report

Audit opinions

We have audited the annual financial statements of secunet Security Networks Aktiengesellschaft, Essen, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022, and notes to the annual financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of secunet Security Networks Aktiengesellschaft, which is combined with the Group management report, for the financial year from 1 January to 31 December 2022. In accordance with German legal requirements, we have not audited the content of those parts of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of those parts of the management report specified in the "Other Information" section.

Pursuant to Section 322 (3), sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2), point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

» 1. Revenue recognition

Our presentation of this key audit matter has been structured as follows:

» 1. Matter and issue

» 2. Audit approach and findings

» 3. Reference to further information

Hereinafter we present the key audit matter:

1. Revenue recognition

» 1. Revenue amounting to €330 million is reported in the income statement in the annual financial statements of secunet Security Networks Aktiengesellschaft.

secunet Security Networks Aktiengesellschaft generates revenue from the sale of hardware products and software licences, which it recognises at the time the service is rendered and the risks transfer to the customer. If at that time further services are agreed with the customer, particularly for maintenance, updates and extended warranty commitments, the realisation criteria for each component are applied separately.

Furthermore, secunet Security Networks Aktiengesellschaft realises revenue from the provision of specialised services relating to consulting on the implementation of comprehensive IT security solutions as well as the development of software, essentially on the basis of work hours performed as at the reporting date.

Due to the structure of the customer base, which largely comprises public entities and entities from the industrial sector, such as automotive manufacturers, the number of orders and accordingly the volume of work contracted and performed is relatively greater in the fourth quarter of a given financial year than in the other quarters.

In light of the large number of business transactions at the end of the financial year, combined with the different contractual agreements and a high share of multiple-component agreements, there is a material risk that the revenue in the financial year ended is not allocated to the correct period. Against this background, this matter was of particular significance for our audit.

» 2. As part of our audit, we used IT-based audit techniques to assess, among other things, the appropriateness and effectiveness of the Company's established internal control system with respect to the full and correct recognition of revenue as well as the allocation of that revenue to the correct periods. Furthermore, we obtained an understanding of the underlying contractual agreements and assessed them with regard to the time at which revenue can be recognised. We consulted and evaluated the corresponding contractual documents to assess the recognition of revenue, and primarily compared invoices for revenue, which were selected on a test basis for revenue which was realised in December 2022 and January 2023, against the associated orders, contracts, external delivery documentation, acceptance certificates and timesheets. Moreover, we obtained balance confirmations for trade receivables on a test basis. In instances where we did not receive responses with respect to the requested balances, we reviewed those balances on the basis of alternative audit procedures, particularly by comparing balances against the aforementioned external documents.

We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that revenue is allocated to the correct periods.

» 3. The Company's disclosures relating to revenue are contained in the section "Accounting and valuation methods" of the notes to the financial statements and in Section 10 "Sales revenue".

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the non-financial statement on compliance with sections 289b to 289e of the German Commercial Code (HGB) and sections 315b to 315c of the German Commercial Code (HGB) contained in section "Combined non-financial statement of the Company and the Group" of the management report

- the subsection "Statement on the appropriateness and effectiveness of governance systems" of the section "Risk management and internal control system" of the management report

The other information also comprises:

- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB

- the remuneration report pursuant to Section 162 AktG, for which the Supervisory Board is additionally responsible

- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content, or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined what is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent accounting manipulations and misstatements of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or the overriding of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where relevant, the actions taken or safeguards implemented to address threats to our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with Section 317 (3a) HGB on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Audit opinion

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file secunet_AG_JA_LB_ESEF_2022_12_31.ZIP and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

Basis for the reasonable assurance conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Control in Audit Firms (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1), sentence 4, no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

» Identify and assess the risks of material noncompliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

» Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 25 May 2022. We were engaged by the Supervisory Board on 13 December 2022. We have been the auditor of secunet Security Networks Aktiengesellschaft, Essen, without interruption since the 2020 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to any other matter – use of the auditor’s report

Our auditor’s report should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and the management report converted into the ESEF format – including the versions to be entered in the central register of companies – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the “Assurance Report in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes” and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Philip Meyer zu Spradow.

Essen, 22 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Philip Meyer zu Spradow
German Public Auditor

Michael Herting
German Public Auditor

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Company, and the Management Report includes a true and fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Essen, 21 March 2023

Axel Deininger

Torsten Henn

Dr Kai Martius

Thomas Pleines

5.Other Information

Remuneration report pursuant to Section 162 AktG

The remuneration report explains the remuneration of former and current members of the Management Board, the remuneration of members of the Supervisory Board of secunet Security Networks Aktiengesellschaft (hereinafter referred to as “secunet AG”) in accordance with the Articles of Association in the 2022 financial year and the other benefits paid to the current members of the Management Board. It contains detailed information on the remuneration system which is necessary for understanding the disclosures, covering the remuneration of and benefits paid to members of the Management Board, the remuneration of members of the Supervisory Board and explanations of how the remuneration promotes the long-term development of secunet AG. Preparation of the remuneration report in accordance with Section 162 AktG is the responsibility of the Management Board and the Supervisory Board. The remuneration report and the auditor’s report on the substantive audit carried out are available on the secunet AG website (www.secunet.com under >> About Us >> Investors >> Corporate Governance). Information on the respective current remuneration systems can also be found on the website. The remuneration report is based in particular on the new requirements arising from the Act Implementing the Second Shareholder Rights Directive (ARUG II) and the recommendations of the German Corporate Governance Code (GCGC) as amended on 28 April 2022 (GCGC 2022).

Remuneration system of the members of the Management Board

Resolution on the approval of the remuneration system for the previous financial year 2021

The remuneration system, which has been in effect since the 2021 financial year, was presented for approval for the first time at the Annual General Meeting on 12 May 2021. The remuneration system presented was adopted with an approval rate of 97.44%. Pursuant to the provisions of Section 120a AktG, the Supervisory Board must present the remuneration system for approval at the Annual General Meeting whenever there is a significant change, but at least every four years. There were no changes to the Management Board remuneration system in the 2022 financial year.

The remuneration report prepared for the first time for the 2021 financial year in accordance with these principles on the remuneration granted and owed to the current and former members of the Management Board and Supervisory Board of secunet AG in the previous financial year 2021 was approved by the Annual General Meeting on 25 May 2022 with a majority of 93.92% of the capital represented in accordance with Section 120 (4) AktG.

Remuneration system of the Management Board as of the 2021 financial year

General principles of remuneration

The system for the remuneration of Management Board members makes a significant contribution to implementation of the corporate strategy of secunet AG. The structure of the individual remuneration components is to be linked to the achievement of key Company targets. In this respect, Management Board remuneration is based in particular on long-term and sustainable growth, increased profitability, competitiveness and sustainability targets. Besides key financial indicators, it also takes non-financial performance indicators into account, which are equally essential to the long-term and sustainable success of the Company. These incentives align the interests of the Management Board with those of shareholders, employees, customers and other stakeholders for the benefit of the Company's successful development. The remuneration system also ensures that the members of the Management Board are remunerated appropriately according to their performance and respective area of responsibility.

When structuring the remuneration of the Management Board, the Supervisory Board takes into account the following principles in particular:

- Promotion of the corporate strategy
- Long-term and sustainable development
- Appropriateness
- Pay for performance
- Alignment with shareholder interests
- Market conformity
- Consistency of the remuneration system

Procedures for establishing, implementing and reviewing the remuneration system

General procedure

The remuneration system for the Management Board is determined by the Supervisory Board pursuant to the provisions of Sections 87 (1) and 107 (3), sentence 7 of the Stock Corporation Act. The Supervisory Board may, if necessary, make use of external consultants for developing the system. When appointing remuneration consultants, particular attention is paid to their independence.

In structuring the remuneration system, due consideration is given to the appropriateness of Management Board remuneration. When determining the variable remuneration parameters, the Supervisory Board also ensures consistency with the remuneration system in relation to the employees of secunet AG by fundamentally applying at least partially identical performance criteria for the variable remuneration of employees as for the Management Board.

The requirements of the German Stock Corporation Act, the requirements of the Act Implementing the Second Shareholder Rights Directive (ARUG II), in particular, and the recommendations of the German Corporate Governance Code in the version adopted on 28 April 2022 (GCGC 2022) for handling conflicts of interest on the Supervisory Board are also observed in the establishment, implementation and review of the remuneration system. Members of the Supervisory Board are required to disclose any potentially conflicting interests. In such cases, the members concerned shall not be involved in the items subject to conflict.

The present system for remuneration of the members of the Management Board of secunet AG has been in force since 1 January 2021. Remuneration granted and owed is based on the respective underlying contracts of the Management Board members.

Determination of the appropriate target remuneration by the Supervisory Board for the 2022 financial year

In keeping with the remuneration system, the Supervisory Board determines the amount of the total target remuneration for the individual members of the Management Board as well as the assessment basis or performance criteria for the variable remuneration components. In this context, care is taken to ensure that the total target remuneration is commensurate with the duties and performance of the Management Board member as well as the situation of the Company, is geared towards the long-term and sustainable development of the Company and does not exceed the customary remuneration without special reasons. When assessing the customary level of remuneration of the respective Management Board member, both the comparable external corporate environment (horizontal comparison) and the internal Company remuneration (vertical comparison) are taken into account:

Horizontal comparison

In horizontal terms, reference is made to an appropriate comparison group (so-called peer group) when determining the remuneration level. Generally, the peer group is selected using the criteria of sales, market capitalisation, balance sheet total, company location, number of employees and sector comparability. Against the background of the Company's specialisation in IT security solutions, the Supervisory Board normally takes into account a representative number of comparable IT companies headquartered in Germany as the peer group.

Vertical comparison

In the vertical comparison, the appropriateness of the remuneration is reviewed with due regard to the remuneration of the group of senior executives (in the sense of the first level below the Management Board without the central divisions (secunet Services and staff departments)) and the relevant total workforce, also taking into account the development of remuneration over time.

The target remuneration of the Management Board members for the 2022 financial year is as follows:

Remuneration component	Deininger (full member of the Management Board from 1 January 2018 to 31 May 2019, Chairman of the Management Board since 1 June 2019)	Henn (full member of the Management Board since 1 June 2019)	Dr Martius (full member of the Management Board since 1 June 2019)	Pleines (full member of the Management Board since 18 March 1999)
Basic remuneration	270,000.00	205,000.00	205,000.00	250,000.00
Fringe benefits[1]	27,608.00	25,080.00	31,058.00	26,058.00
Short-term variable remuneration	130,000.00	100,000.00	100,000.00	100,000.00
Long-term variable compensation	140,000.00	105,000.00	105,000.00	110,000.00
Pension benefits[2]	19,156.00	12,200.00	12,200.00	24,782.00
Total	**586,764.00**	**447,280.00**	**453,258.00**	**510,840.00**

1 In the case of fringe benefits, the actual value of the financial year is used, as no cap amount has been established here.

2 Deininger and Pleines: allocation in accordance with IFRS to the pension provisions for direct pension commitments; Henn and Dr Martius: pension remuneration for indirect pension commitments

Due to minor changes in fringe benefits as well as pension benefits, target remuneration decreased on average by -1% compared to the previous year.

The options existing in the remuneration system for deviating from the remuneration system were not exercised in determining the target remuneration for the financial year nor in determining the remuneration granted and owed.

The Supervisory Board considers the remuneration for the 2022 financial year to be appropriate.

Overview of the remuneration system structure

The remuneration of the members of the Management Board comprises performance-based and non-performance-based components. An overview of the remuneration system is outlined below:

Remuneration system at a glance

Remuneration component		Purpose	Contractual design	
Non-performance-based components	**Basic remuneration**	Assurance of an appropriate income under	Fixed contractually agreed remuneration paid in twelve equal monthly instalments	
	Fringe benefits	consideration of the portfolio or duties of the board member	Benefits in kind and other benefits; essentially the granting of private use of company cars and insurance allowances (accident insurance, allowances for health, long-term care and pension insurance), conclusion of a D&O insurance policy as well as continued payment of remuneration in the event of illness, and death grants.	
	Pension commitment	Assumption of costs/compensation for disadvantages	Different pension commitments depending on the date of joining the Management Board: lifelong pension with surviving dependants' benefits or payment of a monthly pension contribution. For one Management Board member who was already appointed to the Company's Management Board in 1999, a defined benefit pension commitment applies in accordance with the pension scheme of Rheinisch-Westfälischer TÜV (RWTÜV) in its currently valid version, with the pensionable remuneration as the assessment parameter being individually capped. For the Management Board member appointed in 2017, a defined contribution: a module-based pension commitment in the form of a direct commitment with a fixed annual pension module applies. For the other members of the Management Board who joined after this date and for any new Management Board members joining in the future who are to be remunerated in accordance with this remuneration system, a defined contribution plan applies, which is generally implemented externally and provides for an annual pension contribution in the amount of a specific percentage of the contractually regulated pensionable annual income.	
Performance-based components	**Short-term (one-year) variable remuneration**	**Establishment of private pension assets**	**Type**	**Bonus (paid in cash)**
			Assessment period	Financial year
			Bonus cap	200% of target achievement 200% payment of target value

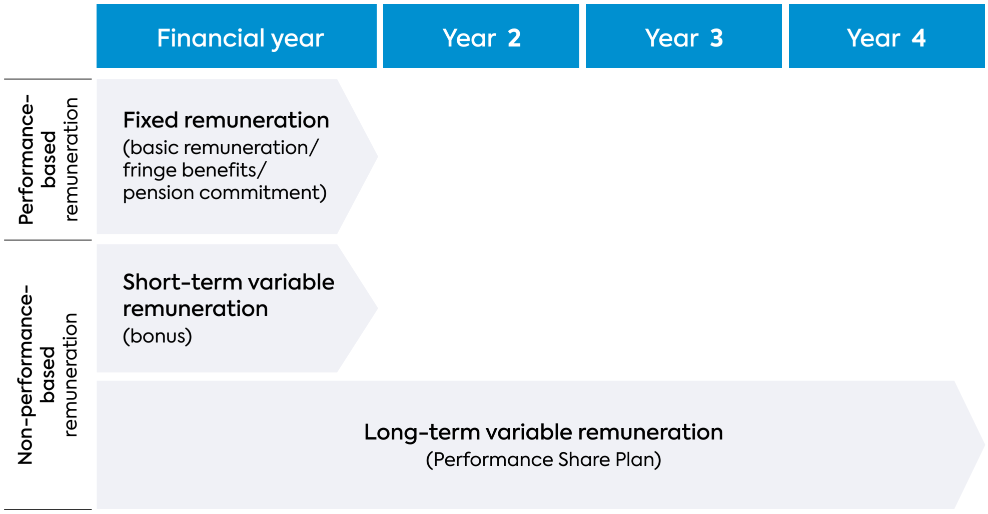
Remuneration component		Purpose	Contractual design	
Performance-based components	Short-term (one-year) variable remuneration	Achievement of Company targets for the current financial year Focus on the operational success of the Company and steady cash flow	Type	Bonus (paid in cash)
			Performance criteria	Financial Company targets related to the financial year (e.g. earnings target (EBIT) and growth target (sales)), where the targets and their weighting can be redefined for each financial year
			Option of adjustment in the event of extraordinary developments	Adjustment by decreasing or increasing the calculated bonus by up to 20% possible in the event of extraordinary developments, but limited by the bonus cap; if the calculated payout amount is zero, an increase to up to 10% of the target bonus amount can be made
			Payout	In the following financial year, one month after adoption of the annual financial statements for the respective previous financial year
	Long term (multi-year) variable remuneration	Incentive to sustainably increase the Company's success Special consideration of shareholder interests Alignment with the capital market performance of secunet AG, e.g. in comparison with a benchmark index	Plan type	Virtual (forward-looking) Performance Share Plan (cash payout)
			Assessment period	Four years
			Limitation / Cap	150% of target achievement 200% payment of target amount
			Performance criteria	Capital market target, e.g. relative total shareholder return (TSR) compared to benchmark index Strategic targets Environmental, social, governance (ESG) targets / sustainability targets

Remuneration component		Purpose	Contractual design	
	Long term (multi-year) variable remuneration	Incentive to sustainably increase the Company's success Special consideration of shareholder interests Alignment with the capital market performance of secunet AG, e.g. in comparison with a benchmark index	Plan type	Virtual (forward-looking) Performance Share Plan (cash payout)
			Option of adjustment in the event of extraordinary developments	Adjustment by decreasing or increasing the calculated PSP payout amount by up to 20% possible in the event of extraordinary developments, but limited by the cap; if the calculated PSP payout amount is zero, an increase to up to 10% of the target bonus amount can be made
			Payout	Payment with the next possible salary statement after adoption of the Company's consolidated financial statements following the end of the respective performance period, but not later than 31 December of the financial year following the end of the performance period
Other remuneration arrangements	Maximum remuneration	Inappropriate levels of disbursement are avoided	The highest possible maximum remuneration under this remuneration system is set at 1,000,000 euros gross per year for the Chairman of the Management Board and at 900,000 euros gross per year for each of the other members of the Management Board; a lower maximum remuneration may be agreed contractually	
	Malus and clawback	Compliance Rectification of incorrect bases	Partial or complete reduction (malus) or recovery (clawback) of the variable remuneration if the variable remuneration is determined on the basis of incorrect data or in case of intentional or grossly negligent breach of duty	
	Early termination of contract	Limitation of inappropriately high severance payments in case of (early) termination of contract	Linking clause with severance pay entitlement (limited to max. two years' salary or remuneration for the remaining term) So-called good leaver / bad leaver arrangements in relation to outstanding tranches under the Performance Share Plan	

Structure of the remuneration elements in detail

The remuneration system comprises all non-performance-based (fixed) and performance-based (variable) remuneration components, the sum of which constitutes the total remuneration of the respective Management Board members and is presented below in its individual components. The non-performance-based fixed remuneration consists of basic remuneration as well as benefits in kind and other benefits (so-called fringe benefits) as well as pension benefits. The performance-based remuneration of the Management Board members comprises a short-term and a long-term variable component. The short-term variable remuneration is paid in the form of a bonus. The long-term variable remuneration is based on a (virtual) Performance Share Plan.

In this remuneration structure, the target level of long-term variable remuneration exceeds the target level of short-term variable remuneration.



Depending on the Management Board member, the basic remuneration is between approximately 50% and 55% of the target direct remuneration (i.e. excluding fringe benefits and company pension benefits). The short-term variable remuneration (bonus) represents approximately 21% to 25% of the target direct remuneration (i.e. excluding fringe benefits and company pension benefits), while the long-term variable remuneration (Performance Share Plan) contributes between approximately 23% and 26% to the target direct remuneration (i.e. excluding fringe benefits and company pension benefits), thereby ensuring that long-term variable remuneration exceeds short-term variable remuneration in the target amounts (i.e. for 100% target achievement).

The share of the fixed remuneration components in the total target remuneration for one year (i.e. including fringe benefits and company pension benefits) thus lies between approximately 55% and 62%, with the performance-based variable remuneration components being set at the value for 100% target achievement, while the variable remuneration components account for between approximately 38% and 45% of the total target remuneration. Minor shifts of a few percentage points may occur due to fluctuating valuation of the pension costs and fringe benefits, which, for the purposes of the percentage shares of the target total remuneration stated here, were set at a lump sum amount based on past experience with a small supplement.

This can be summarised as follows:

Fixed remuneration components (basic remuneration, fringe benefits and pension benefits)	55% – 62%
Variable remuneration components in case of 100% target achievement	38% – 45%
Total target remuneration	**100%**

Non-performance-based (regular) remuneration

Basic remuneration

The basic remuneration is a fixed cash remuneration based on the full year and paid in twelve equal monthly instalments. The amount of the respective basic remuneration is based on the role on the Management Board (Chairman, full member), the area of responsibility, the experience and the position of the respective Management Board member.

The basic remuneration for 2022 is as follows:

Basic remuneration (in euros)	2022	2021
Deininger (Chairman of the Management Board since 1 June 2019)	270,000.00	270,000.00
Henn (full member of the Management Board since 1 June 2019)	205,000.00	205,000.00
Dr Martius (full member of the Management Board since 1 June 2019)	205,000.00	205,000.00
Pleines (full member of the Management Board since 18 March 1999)	250,000.00	250,000.00
Total	**930,000.00**	**930,000.00**

Fringe benefits

In addition, each member of the Management Board receives benefits in kind and other benefits (so-called fringe benefits). These essentially include the granting of private use of company cars, continued payment of remuneration in the event of illness and allowances for insurance. In particular, Management Board members receive accident insurance as well as allowances for private health, long-term care and pension insurance and participate in a D&O insurance policy (with the usual deductible provided for by law). In addition, a death grant is paid to their dependants in the event of their death. All members of the Management Board are essentially entitled to the same benefits in kind, although the amount may vary depending on their personal situation. The taxes attributable to the pension and accident insurance allowances are borne by the Company. The Supervisory Board may grant other or additional fringe benefits customary in the market, such as the possibility of private use of company mobile devices or, in the case of newly appointed members, the assumption of relocation costs.

Pension commitment (benefits in the event of regular termination of employment)

The Company provides a pension commitment to the members of the Management Board. Depending on the date of appointment of the Management Board member, there are performance-related, contribution-related and indirect commitments. In particular, the following agreements have been made:

The pension commitment for the Chairman of the Management Board, Mr Deininger, is based on a direct commitment from 2017 with a fixed annual pension component (defined contribution), which is credited to a personal pension account. The pension module allocated annually to the pension account is determined on the basis of a fixed notional pension contribution and an age-related actuarial transformation factor valid at the time of annual allocation. The sum of the earned pension components results in the pension capital to which the Management Board member is entitled upon reaching the age of 67 and which at the same time forms the assessment basis for pension benefits to be paid prematurely, namely due to early retirement benefits (from the age of 62 at the earliest), disability benefits and benefits to surviving dependants in the event of death.

If the Management Board member leaves the Management Board prior to the occurrence of a pension event, the entitlement to pension benefits achieved at that time shall be maintained in the amount of the pension modules earned at that time. Irrespective of this, there is a minimum survivor benefit, which in principle amounts to twice the relevant annual fixed salary of the Management Board member in accordance with the employment contract when the insured event occurs. In the event of early retirement before the requirements for the payment of a pension benefit are met, the minimum survivor benefit based on twice the annual fixed salary last paid by the Company is multiplied by the ratio of the actual length of service from entry into service to the possible length of service up to the fixed retirement age. In principle, the Management Board member can choose between payment as a one-time capital benefit or as a regular monthly pension, where in the latter case the Company can redefine the implementation method (for example, through a pension fund). In addition, the Management Board member is entitled to pension benefits from a previous pension commitment as an employee (in form of a defined contribution plan).

Mr Pleines' pension is based on a defined benefit pension commitment from 1999 in accordance with the pension scheme of RWTÜV in the currently valid version, from which he is entitled to a retirement pension or, if applicable, to an early retirement pension upon reaching a certain age limit or an occupational or disability pension or a widower's/widow's pension, with the pensionable remuneration as the assessment parameter being individually capped.

The allocations to pension provisions determined in accordance with IFRS regulations and the total amounts accrued under IFRS are shown in the following table.

	Pension cost		Defined benefit obligation (DBO)	
in euros	2022	2021	2022	2021
Current members of the Management Board				
Deininger	19,156.00	24,567.00	376,158.00	607,363.00
Pleines	24,782.00	37,298.00	788,262.00	1,151,052.00
Total	**43,938.00**	**61,865.00**	**1,164,420.00**	**1,758,415.00**

For the other members of the Management Board, there are indirect pension commitments in the form of a lifelong pension with surviving dependants' benefits, which is managed externally. For these purposes, secunet AG pays an annual contribution (2022: 12,200 euros; previous year: 12,750 euros) amounting to 4% of the fixed annual salary (basic remuneration) plus the target value of the short-term one-year variable remuneration (bonus). The pension commitment comprises old-age pension benefits and benefits to surviving dependants in the event of death. In the event of the premature departure of a Management Board member, any pension benefit is maintained. The amount of the entitlement acquired up to that point corresponds to the benefits from the reinsurance exempted from premium payment at the time of departure. With regard to payment of the pension benefit, the member of the Management Board can generally choose between payment as a one-time capital benefit or as a regular monthly pension, with the Management Board member and his surviving dependants remaining bound by the decision regarding payment once it has been made.

In the event of death of the Management Board member before drawing an old-age pension benefit, the surviving spouse as beneficiary receives a one-off capital payment as a survivor benefit. Regular pension benefits are increased annually by at least 1% of their last payment amount, commencing one year after the start of payment. If profit participation from the reinsurance policy taken out by the provident fund results in a higher adjustment, this higher adjustment shall be granted.

Performance-based (variable) remuneration

The variable remuneration is intended to promote sustainable development of the Company and the ambitious strategic orientation of secunet AG by focusing on both short-term and long-term success. The performance-based variable remuneration consists of the short-term oriented bonus and the long-term oriented variable remuneration from the Performance Share Plan.

The parameters for short-term (bonus) and long-term (Performance Share Plan) variable remuneration differ primarily with regard to the assessment period and the respective performance criteria. While the bonus is based exclusively on financial performance criteria, the Performance Share Plan also takes into account non-financial targets (in particular ESG or sustainability).

When selecting the respective performance criteria, the Supervisory Board pays attention to measurability, at least in the case of the financial performance criteria, as well as to strategic relevance, which means the key performance indicators are geared in particular to the growth and increase in profitability of secunet AG. To the extent that non-financial performance criteria are assessed on a discretionary basis, the Supervisory Board shall ensure that the assessment is transparent. The consideration of various performance categories under the Performance Share Plan ensures a holistic and comprehensive representation of the Company's success.

In addition, even after setting the relevant performance criteria and targets, the Supervisory Board may take appropriate account of extraordinary developments in the context of determining the achievement of targets in justified exceptional cases, in particular by eliminating the resulting special effects. In the event of extraordinary developments, this may lead to an increase (but not exceeding the respective cap for the variable remuneration component) as well as to a reduction of the variable remuneration component by up to 20% in each case; if the variable remuneration component is zero, the Supervisory Board may increase it in such cases to up to 10% of the respective target amount in order to take appropriate account of extraordinary developments. Extraordinary developments during the year include, in particular, unusually far-reaching changes in the economic environment, provided that neither they nor their concrete effects were foreseeable. In contrast, any normal fluctuations in market developments are not considered to be extraordinary developments. The option of reduction pursuant to Section 87 (2) of the German Stock Corporation Act shall remain unaffected.

Short-term variable remuneration (bonus)

The one-year variable remuneration (bonus) aims to reward the respective contribution to the operational implementation of secunet AG's strategy within a specific financial year.

The target achievement for the bonus in the 2022 financial year is determined on the basis of the financial targets for the Company, the earnings target (EBIT) and the growth target (sales). The Company's financial targets as well as the relevant financial target values are set annually with the approval of annual planning. For the 2022 financial year, the EBIT target was set at 52 million euros and the sales target at 320 million euros. Both targets are weighted equally (50% each). Performance measurement for each of the defined performance targets is based on the ratio of the achieved result at the end of the financial year to the respective planned target. The bonus is based on a target amount specified in the employment contract, assuming 100% target achievement. The total payout amount from the bonus is capped at 200% of the target amount (bonus cap).

Before the beginning of each financial year, the Supervisory Board determines for each target a target value derived from the budget (with 100% target achievement being assumed if this is reached) as well as a target corridor with a minimum value and a maximum value. If the target value for a set target is reached, the target achievement level is 100% in each case. The minimum value forms the lower end of the target corridor, at which the target achievement level is 50% for the respective target. The maximum value forms the upper end of the target corridor, at or above which the target achievement level is 200% for the respective target. If the value achieved in respect of a target falls below the minimum value, the target achievement level for this target corresponds to 0%. If the value achieved in respect of a target exceeds the minimum value but does not reach the target value, or if the value achieved exceeds the target value but does not reach the maximum value, the target achievement level for the target in question is determined by linear interpolation between the respective minimum and target values or between the respective target and maximum values.

In accordance with the relative weighting of the target categories, an overall target achievement level is determined from the calculated individual target achievement levels, on the basis of which the payout amount, limited by the bonus cap, is calculated with the aid of the bonus target amount:

Total target achievement level x bonus target amount = bonus payout amount
(not exceeding the bonus cap)

Target achievement is determined for each year as part of the annual financial statements of secunet Group. Any bonus shall be paid for the respective past financial year in the month following the adoption of the annual financial statements in the financial year following the financial year to which the bonus relates.

Short-term variable remuneration (bonus)
Achievement of targets for the financial performance criteria

Company financial target	Weighting	Threshold value for 50% target achievement	Target value for 100% target achievement	Threshold value for 200% target achievement	Result 2022	Target achievement in %
EBIT (in million euros)	50%	43.30	52.00	69.30	47.00	71%
Sales (in million euros)	50%	293.30	320.00	373.30	347.20	151%

For the 2022 financial year, this results in the following overall target achievement for the bonus:

in euros	Target amount	Target achievement EBIT (50% weighting)	Target achievement Sales revenue (50% weighting)	Overall target achievement	Bonus amount
Deininger (Chairman of the Management Board since 1 June 2019)	130,000.00	71%	151%	111%	144,482.00
Henn (full member of the Management Board since 1 June 2019)	100,000.00	71%	151%	111%	111,140.00
Dr Martius (full member of the Management Board since 1 June 2019)	100,000.00	71%	151%	111%	111,140.00
Pleines (Full member of the Management Board since 18 March 1999)	100,000.00	71%	151%	111%	111,140.00
Total	**430,000.00**	**71%**	**151%**	**111%**	**477,902.00**

The bonus is paid in the subsequent year following the adoption of the annual financial statements.

Payment of the short-term variable remuneration for the 2021 financial year

The short-term variable remuneration paid after the adoption of the 2021 annual financial statements on 23 March 2022 for the 2021 financial year is to be included in the remuneration granted and owed in the 2022 financial year in accordance with Section 162 (1) AktG.

The short-term variable remuneration for the 2021 financial year is based on the remuneration system that has been in force since the 2021 financial year.

For the 2021 financial year, the threshold value for target achievement of 200% for EBIT (threshold value 50.7 million euros, actual 63.9 million euros) and sales revenue (threshold value 303.0 million euros, actual 337.6 million euros) were exceeded, determining bonus payments by the Supervisory Board as follows:

in euros	Target amount	Target achievement EBIT (50% weighting)	Target achievement Sales revenue (50% weighting)	Overall target achievement	Bonus amount
Deininger (Chairman of the Management Board since 1 June 2019)	130,000.00	200%	200%	200%	260,000.00
Henn (full member of the Management Board since 1 June 2019)	100,000.00	200%	200%	200%	200,000.00
Dr Martius (full member of the Management Board since 1 June 2019)	100,000.00	200%	200%	200%	200,000.00
Pleines (Full member of the Management Board since 18 March 1999)	100,000.00	200%	200%	200%	200,000.00
Total	**430,000.00**	**200%**	**200%**	**200%**	**860,000.00**

The payment was made in April 2022.

In the case of Messrs Deininger and Pleines, an overpayment (2,000 euros each) in the 2022 financial year was corrected in the 2021 financial year for the bonus for the 2020 financial year.

Long-term variable remuneration (Performance Share Plan)

Overview of the functional principle of the Performance Share Plan
The Performance Share Plan of secunet AG implements the recommendations of the GCGC 2022 with regard to the granting of share-based variable remuneration components, including the four-year blocking period for long-term remuneration components (GCGC 2022).

The Performance Share Plan is divided into three consecutive steps, beginning with the allocation of virtual shares, followed by the measurement of target achievement during the four-year forward-looking performance period, and ending with determination of the payout amount.

In the first step, a tranche of virtual shares (performance shares) is allocated annually. This is done by converting the contractually agreed target amount into virtual shares in accordance with the initial price of the secunet share (commercially rounded to the nearest full number of virtual shares). The initial price corresponds to the average Xetra closing price of the secunet share – rounded to two decimal places – on the last 30 trading days before the start of the respective performance period. Allocation of the virtual shares takes place on 1 January of each year. The four-year assessment period for the respective tranche also begins at this time. It ends on 31 December of the third following year (four-year performance period).

For the performance share tranches issued or current in the 2022 financial year, the virtual shares (performance shares) shown in the following overview were provisionally allocated to the members of the Management Board:

Long-term variable remuneration – allocated virtual shares

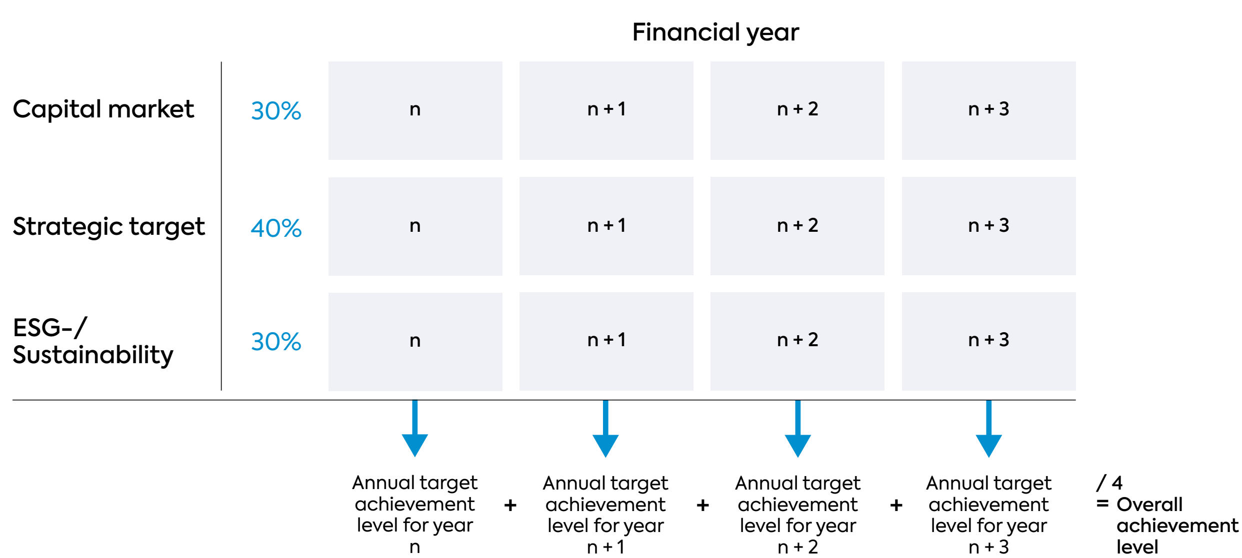
LTI tranche 2021	Allocation value (€)	Allocation price (€) (Ø price of the secunet share)	Number of provisionally allocated virtual shares	Maximum possible number of virtual shares (150% target achievement)
Deininger	140,000.00	246.43	568	852
Henn	105,000.00	246.43	426	639
Dr Martius	105,000.00	246.43	426	639
Pleines	110,000.00	246.43	446	669
Total	**460,000.00**	**246.43**	**1,866**	**2,799**
LTI tranche 2022				
Deininger	140,000.00	400.98	349	523
Henn	105,000.00	400.98	262	393
Dr Martius	105,000.00	400.98	262	393
Pleines	110,000.00	400.98	274	411
Total	**460,000.00**	**400.98**	**1,147**	**1,720**

In the second step, performance is measured on the basis of the performance targets in three performance categories, taking into account their relative weighting over a forward-looking performance period of four years.

In the third step, the final number of virtual shares is determined according to the overall target achievement level and the payout amount is calculated on this basis. For this purpose, the annual target achievement levels for the four years of the performance period are first determined. These are derived from the sum of the target achievement levels for the three performance categories, taking into account their relative weighting, with the target achievement level for each performance target being limited to 150%. The average overall target achievement level for the performance period is then determined on the basis of the annual target achievement levels.

The payout amount corresponds to the product of the final number of performance shares and the sum of the arithmetic mean of the Xetra closing prices on the last 30 trading days before the end of the performance period (commercially rounded to two decimal places) and the dividends paid per share during the performance period. No interest is calculated for the dividends, nor are they reinvested. The payout amount is limited to 200% of the target amount. In the event of a capital increase from Company funds or a capital reduction without repayment of contributions, the number of performance shares allocated shall increase or decrease in the same proportion as the total amount of the share capital. In the case of other measures under company law that affect the value of a share, the Supervisory Board shall adjust the initially allocated number of performance shares in such manner as is reasonably necessary to take account of the relevant measure.

In principle, the annual measurement of the performance targets over the four-year performance period is carried out as in the following overview:



The payout amount will be paid with the next possible salary statement after adoption of the Company's consolidated financial statements following the end of the respective performance period, but not later than 31 December of the financial year following the end of the performance period.

Performance criteria of the Performance Share Plan in detail

The Performance Share Plan links target achievement to three performance categories, namely (i) a capital market target, generally based on the relative total shareholder return (TSR) compared to a peer group, (ii) at least one strategic target and (iii) sustainability targets or environmental, social, governance (ESG) targets. These three performance categories are in principle weighted at (i) 30%, (ii) 40%, (iii) 30%. The specific targets within the performance categories as well as their relative weighting can be redefined with each new performance period. There were no corresponding changes in the performance categories in the 2022 financial year.

Performance Share Plan

Performance criteria	Influence on the corporate strategy
Capital market, e.g. relative TSR (generally 30%)	For example, relative performance measurement and incentivisation for long-term outperformance on the capital market
Strategic target (generally 40%)	For example, incentivising profitable and profit-oriented management For example, generating long-term and sustainable growth by achieving the strategic targets of secunet AG
ESG/Sustainability (generally 30%)	Holistic implementation of the sustainability strategy relevant to secunet AG, taking account of employee interests, compliance structures and environmental and social issues by setting relevant sustainability targets on an annual basis

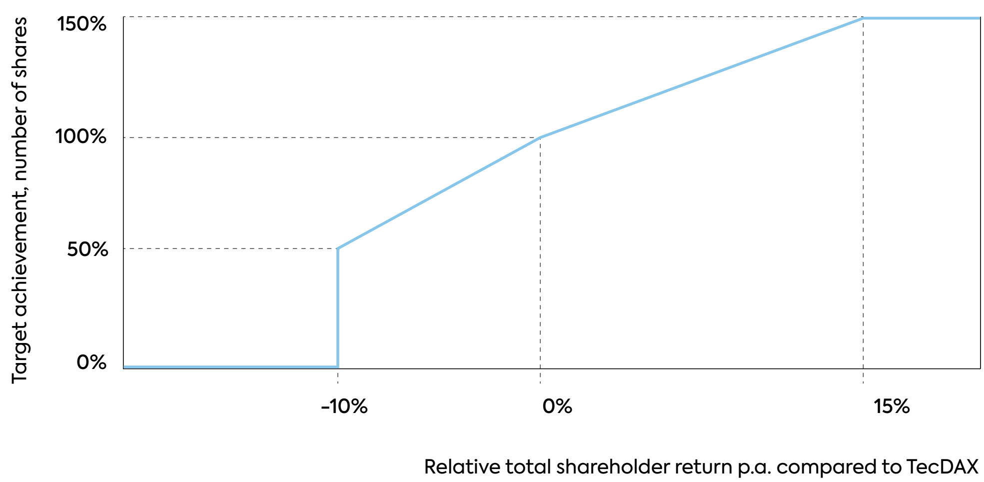
» The capital market target is included in the long-term variable remuneration with a basic weighting of 30% and is an external performance criterion geared to the capital market. In particular, the relative total shareholder return comes into consideration as the capital market target. This takes into account the share price performance of secunet AG plus notionally reinvested gross dividends during the four-year assessment period compared to a benchmark index.

The relative performance measurement of the TSR directly links the interests of the Management Board with those of the shareholders. In this way, long-term outperformance on the capital market and thus the attractiveness of the capital investment for shareholders are particularly incentivised. In principle, the TecDAX is to be used as the benchmark index for measuring the TSR, as long as this constitutes an adequate peer group for secunet AG as an IT service company. However, the Supervisory Board may also use a different suitable stock exchange index as a benchmark if the Company were to be listed in another index in the future.

To calculate the TSR of the secunet AG share and the relevant benchmark index, the arithmetic mean of the Xetra closing prices over the last 30 trading days before the start of each year of the performance period and over the last 30 trading days before the end of the respective year of the performance period is determined for each year of the performance period. The annual TSR of the secunet AG share thus calculated is compared with the annual TSR of the benchmark index. The notionally reinvested gross dividends of the secunet shares are also taken into account when determining the arithmetic mean of the closing prices at the end of the respective year.

TSR target achievement is 100% if the TSR performance of the secunet share equals the TSR performance of the benchmark index. If the TSR performance of the secunet share is 10 percentage points below the TSR performance of the benchmark index, the target achievement is 50% (minimum threshold). If the TSR performance of the secunet share is 15 percentage points or more above the TSR performance of the benchmark index, the target achievement is 150% (cap). If the TSR performance falls below the minimum threshold, the target achievement is 0%. The levels of target achievement between the defined reference values are determined by linear interpolation. When each new tranche of performance shares is issued, the Supervisory Board may redefine the target or threshold values for determining the target achievement levels.

Target achievement measurement for capital market target "Relative TSR":



» As a further performance category, strategic objectives are included in the assessment, generally with a weighting of 40%. The strategic objective is initially based on the strategic target of sales growth in the sense of a sustainable increase in the share of business both in the private sector and in the international environment. The background to this is the incentive to align secunet AG in a profit-oriented manner and thus ensure long-term profitability. In this context, appropriate account is taken of secunet AG's strategic orientation, particularly with regard to securing and expanding its good market position with German public authorities, expanding business in the (national) private sector as well as internationalisation.

Against this backdrop, the strategic target is initially assessed on the basis of the planned sales figures in the Business and International segments. For this purpose, target sales values are set for these segments as well as a minimum threshold and a maximum threshold. If the sales volume falls below the minimum threshold, the target achievement is 0%. If the minimum threshold is reached, the target achievement for the strategic target is 50%. If the target value is reached, the target achievement level is 100%. If the maximum threshold is reached or exceeded, the target achievement is 150% (cap). Between the individual target or threshold values, the level of target achievement is determined by linear interpolation.

When each new tranche of performance shares is issued, the Supervisory Board may redefine the specific strategic targets – including targets other than the aforementioned sales growth targets – or the thresholds for determining the target achievement levels.

» As an integral element of corporate strategy, the topic of sustainability is also reflected in the long-term variable remuneration as a performance criterion, generally with a weighting of 30%. As an innovation and market leader in the field of IT security solutions, secunet AG is committed to the goal of contributing to societal development and economic sustainability – particularly in the thematic cluster of IT security and combating cybercrime – through high-performance software and hardware products and services as well as state-of-the-art corporate structures. In doing so, the Supervisory Board focuses particularly on the needs of the employees, an effective compliance strategy and consideration of environmental and social issues.

» Against this backdrop, the Supervisory Board usually defines up to three different sustainability or ESG targets each year. Examples include diversity targets within the workforce, junior staff development and the attractiveness of secunet AG as an employer, occupational health and safety, as well as training and further education goals. Attention to environmental concerns or the creation and maintenance of compliance structures, for example, can also be included in the performance category.

The progress of the corresponding measures in the area of the relevant annual sustainability targets is assessed at yearly intervals (in particular on the basis of a sustainability report) and the respective performance of the Management Board member is evaluated on a scale from 50% to 150%, with the aim of achieving measurability of target achievement as far as possible. To the extent that measurability of target achievement is not ensured, the Supervisory Board shall determine target achievement in relation to all sustainability/ESG targets at its due discretion. If the minimum performance of 50% of the set sustainability targets is not attained, the target achievement is 0%. It is not possible to exceed the 150% threshold.

In summary, the following charts illustrate the annual target achievement levels of the performance criteria for the PSP tranches valid in the 2022 financial year:

PSP tranche 2022–2025	Performance criterion	Weighting	Threshold value for 50% target achievement	Target value for 100% target achievement	Threshold value for 150% target achievement	Result 2022	Annual target achievement 2022
Capital market	Total shareholder return (TSR)	30%	= -10%	0%	15%	-25%	–%
Strategy	Sales revenue of Business and International segments (in million euros)	40%	= 50	75	100	77	104%
ESG	Increase in employee satisfaction by implementing two projects derived from the employee survey conducted in 2021	10%	Formulation and documentation of project goals and timeframes	Development of concepts for implementation	Implementation of derived measures	Development of concepts for implementation	150%
	Net Promoter Score (NPS)	10%	= -13	2	17	17	150%
	Reduction of the CO_2 value (t/employee)	10%	= 4,6	3,94	3,28	1,13	150%
	Annual target achievement level						86,6%

PSP tranche 2021–2024	Performance criterion	Weighting	Threshold value for 50% target achieve-ment	Target value for 100% target achieve-ment	Threshold value for 150% target achieve-ment	Result 2022	Annual target achieve-ment 2022
Capital market	Total shareholder return (TSR)	30%	= -10%	0%	15%	-25%	–%
Strategy	Sales revenue of Business and International segments (in million euros)	40%	= 50	75	100	77	104%
ESG	Employees satisfaction	10%	= 3.02	2,59	2,16	1,94	150%
	Net Promoter Score (NPS)	10%	= -13	2	17	17	150%
	Reduction of the CO_2 value (t/employee)	10%	= 4.84	4,15	3,46	1,13	150%
	Annual target achievement level						86.6%

Other provisions relevant to remuneration

Amount and determination of maximum remuneration

The variable remuneration is intended to appropriately reflect both opportunities and risks of the Management Board's activities. If the targets are not met, the entire variable remuneration may be forfeited. For the performance-based remuneration components promised from the 2021 financial year onwards, the payment in later financial years is limited to 200% of the respective target amount.

Taking into account the new version of Section 87a (1), sentence 2, no. 1 of the German Stock Corporation Act as well as the GCGC 2022, the Supervisory Board has also set an amount as the upper limit for the maximum total remuneration (overall cap) per Management Board member. This maximum total remuneration represents the highest value that may accrue to a member of the Management Board for a financial year in accordance with this remuneration system and includes all fixed and variable remuneration components. The amount of the maximum total remuneration is therefore composed of the basic remuneration, the one-year and multi-year variable remuneration components, fringe benefits and the expense for benefits under the company pension scheme, including allocations to pension provisions. The maximum possible remuneration determined by the Supervisory Board under this remuneration system is thus 1,000,000 euros gross per year for the Chairman of the Management Board and 900,000 euros gross per year for each of the other full members of the Management Board. A lower maximum remuneration may be agreed contractually. Use was made of this within the framework of the current Management Board service agreements.

The contractually agreed remuneration and maximum remuneration are shown in the table below:

Remuneration component (in euros)	Deininger (Chairman of the Management Board since 1 June 2019)	Henn (full member of the Management Board since 1 June 2019)	Dr Martius (full member of the Management Board since 1 June 2019)	Pleines (full member of the Management Board since 18 March 1999)
Maximum contractual remuneration amount	880,000.00	675,000.00	675,000.00	760,000.00
Maximum remuneration	1,000,000.00	900,000.00	900,000.00	900,000.00

The determination of the actual total remuneration (and thus compliance with the contractual maximum remuneration) for the 2022 financial year cannot be reviewed or assured until 2026, as only then will the final remuneration component for the 2022 financial year be established and accrue to the Management Board member.

No maximum remuneration was defined for the former Management Board member Dr Baumgart. Dr Baumgart received consultancy fees in addition to the current pension benefits. This was contractually granted and owed to him at a daily rate of 1,500 euros. The contract does not provide for any further maximum limits in terms of amount.

Malus and clawback provisions

The remuneration system approved by the Annual General Meeting on 12 May 2021 gives the Supervisory Board the option of reducing variable remuneration components that have not yet been paid out and/or of reclaiming variable remuneration components that have already been paid out if the contractual preconditions are met.

In the event of a breach of duty that has led to or would justify a legally effective extraordinary termination, or in the event of a grossly negligent or intentional breach by a member of the Management Board of one of his material duties of care within the meaning of Section 93 of the German Stock Corporation Act, the Supervisory Board may reduce the variable remuneration components (bonus or payout amounts under the Performance Share Plan) at its due discretion (if necessary also to "zero"): malus.

If the variable remuneration components in question have already been paid out, the Supervisory Board may, at its due discretion and in accordance with the contractual preconditions, demand partial or full return of the amounts of variable remuneration paid out: clawback.

If variable remuneration components were determined or paid out on the basis of incorrect data (for example, due to incorrect consolidated financial statements), the Supervisory Board may correct the determination or reclaim remuneration components already paid out that are affected by the incorrect data.

In the event of breaches of duty in the aforementioned sense, the reduction or recovery shall in principle apply to the variable remuneration for the year in which the significant breach of duty was committed. The clawback period ends one year after payment of the respective variable remuneration component. Recovery is also still possible if the term of office or the employment relationship with the respective Management Board member has already ended.

Any obligation of the Management Board member to pay damages to secunet AG remains unaffected by the reduction or recovery of variable remuneration components.

For the 2022 financial year, there are no circumstances giving rise to the need to make use of the above-mentioned provisions.

Third-party benefits

No member of the Management Board has been promised or granted any remuneration in the financial year by a third party in respect of his activity as a member of the Management Board.

Remuneration due to internal and external mandates

Any remuneration received by a member of the Management Board for activities in corporate bodies (for example, supervisory boards, advisory boards, executive boards, management) of companies in which the Company holds an interest, which are in a group relationship with the Company, or which the member performs at the request of the Company, shall be offset against the remuneration of the Management Board member in accordance with this remuneration system. In the event of the acceptance of supervisory board mandates outside the Group, the Supervisory Board shall decide whether and to what extent any remuneration paid for such mandates is to be offset.

Benefits upon premature termination of contract

Contract term and premature termination

The employment contracts of the members of the Management Board are concluded for a fixed term covering the period of appointment. When appointing members of the Management Board, the Supervisory Board observes in particular the legal requirements of Section 84 of the German Stock Corporation Act. In accordance with the provisions of company law, the employment contracts do not provide for the possibility of ordinary termination; the right of both parties to terminate for good cause without notice (cf. Section 626 (1) of the German Civil Code) remains unaffected, however. Additionally, according to the Management Board service contracts, personal suitability is a prerequisite for Management Board activity; this also includes a positive result of the official security clearance.

The Supervisory Board is entitled to revoke the appointment to the Management Board for good cause within the meaning of Section 84 (3), sentence 2 of the German Stock Corporation Act. In this case and in the event that the Management Board member for his part resigns from office for good cause prematurely and unilaterally, the employment contract shall automatically terminate upon the expiry of a notice period in accordance with statutory periods of notice, but no later than the end of the regular term of office of the Management Board member.

In the event of a Management Board member’s appointment being revoked or resignation from office for good cause for which the Company is responsible, the employment contracts for the Management Board members provide for a severance payment, the amount of which shall be limited to the remuneration for the remaining term of the employment contract, but no more than two years’ total remuneration (severance payment cap). In other cases of premature termination, too, any payments shall be limited to a maximum of two years’ total remuneration or the remuneration for the remaining term of the employment contract. Calculation of the severance payment or severance payment cap is based on the total remuneration for the financial year preceding the premature termination of the Management Board activity and, under certain circumstances, on the expected total remuneration for the current financial year. No severance payment shall be made in the event of extraordinary termination by the Company for good cause or in the event of premature termination of the Management Board activity at the request of the Management Board member or if the result of the security clearance is negative for good cause for which the Management Board member is responsible.

In the event of premature termination of the employment contract due to death or permanent disability, the performance shares already granted whose four-year performance period has not yet expired will, by way of exception, be converted into a payout amount and paid out early. The payout amount corresponds to the respective allocation value (i.e. the target value) of the relevant tranche of the Performance Share Plan.

Appointment or departure during the year
If a member of the Management Board joins or leaves the board during an ongoing financial year, the total remuneration – including the short-term variable remuneration and the allocation value under the long-term Performance Share Plan – shall be reduced pro rata temporis in accordance with the length of the employment relationship in the relevant financial year. For certain departure situations (so-called bad leaver cases), performance shares for performance periods that have not yet expired shall lapse without compensation.

Deviations from the remuneration principles
The Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the interests of the welfare of secunet AG. Extraordinary developments in this sense include, in particular, unusually far-reaching changes in the economic environment. Generally unfavourable market developments are explicitly not regarded as extraordinary developments.

However, such deviations from the remuneration system are only possible through a corresponding Supervisory Board resolution. In particular, the latter shall establish the extraordinary circumstances and the necessity of a deviation.

Temporary deviations in this sense are possible with regard to the performance criteria for the short-term and long-term variable remuneration elements and the total maximum remuneration as well as the relation between fixed and variable remuneration components and also the temporary expenses for extraordinary fringe benefits.

If an adjustment of the existing remuneration components is not sufficient to restore the incentive effect of the remuneration of the Management Board member, the Supervisory Board retains the option of temporarily granting additional remuneration components in the event of extraordinary developments within the term of the Management Board contracts.

Furthermore, the Supervisory Board has the right to grant special payments to newly appointed members of the Management Board to compensate for salary losses from a previous employment relationship or to cover costs arising from a change of location.

Individual remuneration of the members of the Management Board in the 2022 financial year (disclosure pursuant to Section 162 AktG)

Remuneration granted and owed to the current members of the Management Board in the past financial year pursuant to Section 162 AktG

The following table shows the fixed and variable remuneration components granted and owed to the current members of the Management Board in the past financial year, including the relative share pursuant to Section 162 AktG. These are the basic remuneration paid out in the financial year, the fringe benefits accrued in the financial year and the one-year variable remuneration for 2021 paid out in the financial year. By definition, ongoing expenses for pension commitments are not taken into account.

	Deininger			
	Full member of the Management Board from 1 January 2018 to 31 May 2019, Chairman of the Management Board since 1 June 2019			
	2022		2021	
	in euros	in %	in euros	in %
Non-performance-based remuneration				
Basic remuneration	270,000	48.6%	270,000	41.6%
Fringe benefits	27,608	5.0%	27,708	4.3%
Pension remuneration	0	–%	0	–%
Total	297,608	53.6%	297,708	45.9%
Performance-based remuneration				
One-year variable remuneration				
Financial year 2020	0	–%	152,000	23.4%
Financial year 2021	258,000[3]	46.4%	0	–%
Special bonus				
Financial year 2020	0	–%	100,000	15.4%
Multi-year variable remuneration				
Profit share 2018–2020	0	–%	100,000	15.4%
Total	258,000	46.4%	352,000	54.2%
Total remuneration	555,608	100.0%	649,708	100.0%

[3] Due to rounding, there was a slight overpayment for the 2020 bonus in 2021. This was corrected in 2022.

	Henn			
	Full member of the Management Board since 1 June 2019			
	2022		2021	
	in euros	in %	in euros	in %
Non-performance-based remuneration				
Basic remuneration	205,000	46.4%	205,000	37.8%
Fringe benefits	25,080	5.6%	24,925	4.6%
Pension remuneration	12,200	2.8%	12,750	2.3%
Total	**242,280**	**54.8%**	**242,675**	**44.7%**
Performance-based remuneration				
One-year variable remuneration				
Financial year 2020	0	–%	100,000	18.4%
Financial year 2021	200,000	45.2%	0	–%
Special bonus				
Financial year 2020	0	–%	100,000	18.4%
Multi-year variable remuneration				
Profit share 2018–2020	0	–%	100,000	18.4%
Total	**200,000**	**45.2%**	**300,000**	**55.2%**
Total remuneration	**442,280**	**100.0%**	**542,675**	**100.0%**

	Dr Martius			
	Full member of the Management Board since 1 June 2019			
	2022		2021	
	in euros	in %	in euros	in %
Non-performance-based remuneration				
Basic remuneration	205,000	45.7%	205,000	37.3%
Fringe benefits	31,058	6.9%	31,190	5.7%
Pension remuneration	12,200	2.7%	12,750	2.3%
Total	**248,258**	**55.3%**	**248,940**	**45.3%**
Performance-based remuneration				
One-year variable remuneration				
Financial year 2020	0	–%	100,000	18.2%
Financial year 2021	200,000	44.6%	0	–%
Special bonus				
Financial year 2020	0	–%	100,000	18.2%
Multi-year variable remuneration				
Profit share 2018–2020	0	–%	100,000	18.2%
Total	**200,000**	**44.6%**	**300,000**	**54.6%**
Total remuneration	**448,258**	**100.0%**	**548,940**	**100.0%**

	Pleines			
	Full member of the Management Board since 18 March 1999			
	2022		2021	
	in euros	in %	in euros	in %
Non-performance-based remuneration				
Basic remuneration	250,000	52.7%	250,000	41.0%
Fringe benefits	26,058	5.5%	28,058	4.6%
Pension remuneration	0	–%	0	–%
Total	**276,058**	**58.2%**	**278,058**	**45.6%**
Performance-based remuneration				
One-year variable remuneration				
Financial year 2020	0	–%	132,000	21.6%
Financial year 2021	198,000[4]	41.8%	0	–%
Special bonus				
Financial year 2020	0	–%	100,000	16.4%
Multi-year variable remuneration				
Profit share 2018–2020	0	–%	100,000	16.4%
Total	**198,000**	**41.8%**	**332,000**	**54.4%**
Total remuneration	**474,058**	**100.0%**	**610,058**	**100.0%**

4 Due to rounding, there was a slight overpayment for the 2020 bonus in 2021. This was corrected in 2022.

Remuneration granted and owed to former members of the Management Board in the past financial year pursuant to Section 162 AktG

	Dr Baumgart[5]			
	2022		2021	
	in euros	in %	in euros	in %
Other				
Retirement pension benefits	44,107	58.3 %	44,100	52.0%
Fees for consulting services	31,578	41.7 %	40,678	48.0%
Total	**75,685**	**100.0%**	**84,778**	**100.0%**
Total remuneration	**75,685**	**100.0%**	**84,778**	**100.0%**

5 Member of the Management Board from 31 May 1999 to 31 January 2001; Chairman of the Management Board from 1 February 2001 to 31 May 2019

Supervisory Board remuneration in the 2022 financial year

General

The provisions and remuneration for the members of the Supervisory Board are set out in Article 17 of the Articles of Association of secunet Security Networks AG, which are permanently accessible to the public on the Internet. The Supervisory Board remuneration is reviewed at appropriate time intervals. The time expected to be spent on exercising the office as well as the usual practice at companies of comparable size and complexity and in a similar industry are taken into account when doing so.

At the Annual General Meeting on 12 May 2021, a resolution was passed to change the remuneration of the members of the Supervisory Board and to amend the Articles of Association accordingly. The approval rate was 99.98%. The remuneration applies to financial years beginning after 1 January 2021.

Remuneration system of the Supervisory Board

The remuneration system of the Supervisory Board as set out in the Articles of Association is designed to attract and retain highly qualified members on the Supervisory Board. This promotes the efficiency of the Supervisory Board's work and the long-term development of secunet AG.

The members of the Supervisory Board receive a remuneration of 15,000 euros on completion of the financial year. The Chairman of the Supervisory Board receives double this amount (30,000 euros), the Deputy Chairman of the Supervisory Board receives 1.5 times this amount (22,500 euros). Proven expenses and any value-added tax payable by the members are reimbursed in addition.

For their work in committees of the Supervisory Board, the members receive an additional annual remuneration of 5,000 euros per committee.

In the event of changes on the Supervisory Board during the year or adjusted remuneration during the year, remuneration is granted on a pro rata basis.

According to Article 17 (5) of the Articles of Association, the members of the Supervisory Board may receive further remuneration, provided that this is resolved by the Annual General Meeting with the required majority.

In addition, the members of the Supervisory Board are covered by a D&O insurance policy taken out in the interest of the Company for an appropriate amount. The premiums for this are paid by the Company. There is a deductible, for the amount of which the Supervisory Board members may take out private insurance.

Since the remuneration of Supervisory Board members does not consist of variable, but rather of fixed components only, there is no need to determine a maximum total remuneration.

The following table shows the remuneration granted and owed to current and former Supervisory Board members in the 2022 financial year pursuant to Section 162 AktG. The payment in the financial year is made for the remuneration of the previous year in each case. The remuneration paid for the 2020 financial year in 2021 is 100% attributable to the fixed remuneration for Supervisory Board activities. The remuneration paid for the 2021 financial year in 2022 is divided between the remuneration for Supervisory Board activities and the remuneration for committee activities as shown in the following table. Meeting fees were not paid for either year.

Remuneration for Supervisory Board activities

	2022						2021	
	Remuneration for Supervisory Board activities		Remuneration for committee activities		Total remuneration		Remuneration for Supervisory Board activities = total	
	in euros	in %	in euros	in %	in euros	in %	in euros	in %
Dr Wintergerst (Chairman)	27,846.28	92%	2,520.55	8%	30,366.83	100%	24,000.00	100%
Dr Zattler (Deputy Chairman)	20,167.13	89%	2,520.55	11%	22,687.68	100%	16,000.00	100%
Dr Legge (Member of the Supervisory Board)	13,923.29	85%	2,520.55	15%	16,443.84	100%	12,000.00	100%
Marx (Member of the Supervisory Board)[6]	13,923.29	85%	2,520.55	15%	16,443.84	100%	12,000.00	100%
Rustemeyer (Member of the Supervisory Board)[7]	13,923.29	85%	2,520.55	15%	16,443.84	100%	12,000.00	100%
Professor Dr. Schäfer (Member of the Supervisory Board)	13,923.29	85%	2,520.55	15%	16,443.84	100%	12,000.00	100%
Total remuneration	**103,706.57**	**87%**	**15,123.30**	**13%**	**118,829.87**	**100%**	**88,000.00**	**100%**

[6] Member of the Supervisory Board since 15 May 2019, employee representative

[7] Member of the Supervisory Board since 15 May 2019, employee representative

In the 2022 financial year, proven expenses amounting to 1,049.82 euros (previous year: 611.78 euros) were reimbursed.

Apart from the work performed by the employee representatives under their employment contracts, the members of the Supervisory Board did not perform any personal services, such as consulting or agency services, for secunet AG or its subsidiaries in the 2022 financial year and therefore did not receive any additional remuneration for such services.

Comparative presentation of remuneration and earnings development

The following comparative presentation shows the annual change in the remuneration granted and owed to current and former members of the Management Board and Supervisory Board as well as the development of the Company's earnings and the remuneration of secunet AG employees on a full-time equivalent basis.

For the comparison with the development of the average remuneration of employees, the average remuneration of permanent, domestic employees is taken as a basis – since comparable remuneration structures can be assumed here. If employees also receive remuneration as a member of the Supervisory Board of secunet AG, this remuneration has not been taken into account. To ensure comparability, the remuneration of part-time employees was extrapolated to the full-time equivalent.

The remuneration of the employees includes the agreed fixed salaries, including benefits in kind for company cars as well as the bonuses and coronavirus payments paid in the financial year.

Comparative presentation of remuneration and earnings development for members of the Management Board

	Remuneration granted and owed in 2022	Remuneration granted and owed in 2021	Change 2022 vs. 2021		Change 2021 vs. 2020	
	in thousand euros	in thousand euros	in thousand euros	in %	in thousand euros	in %
Current members of the Management Board						
Deininger	555.6	649.7	-94.1	(14%)	52.7	9%
Henn	442.3	542.7	-100.4	(19%)	145.8	37%
Dr Martius	448.3	548.9	-100.6	(18%)	126.2	30%
Pleines	474.1	610.1	-136.0	(22%)	37.6	7%
Former members of the Management						
Dr Baumgart	75.7	84.8	-9.1	(11%)	-84.8	(50%)
Employees						
Ø salary of employees	77.2	75.7	1.5	2%	4.0	6%
Earnings development						
Group profit (in million euros)	31.3	42.9	-11.6	(27%)	7.9	23%
secunet AG net income for the year (in million euros)	36.9	43.5	-6.6	(15%)	10.7	33%

Comparative presentation of remuneration and earnings development for members of the Supervisory Board

	Remuneration granted and owed in 2022	Remuneration granted and owed in 2021	Change 2022 vs. 2021		Change 2021 vs. 2020	
	in thousand euros	in thousand euros	in thousand euros	in %	in thousand euros	in %
Current members of the Supervisory Board						
Dr Wintergerst	30.4	24.0	6.4	27%	2.9	14%
Dr Zattler	22.7	16.0	6.7	42%	1.5	10%
Dr Legge	16.4	12.0	4.4	37%	1.5	14%
Marx	16.4	12.0	4.4	37%	4.4	58%
Rustemeyer	16.4	12.0	4.4	37%	4.4	58%
Professor Dr Schäfer	16.4	12.0	4.4	37%	1.5	14%
Employees						
Ø salary of employees	77.2	75.7	1.5	2%	4.0	6%
Earnings development						
Group profit (in million euros)	31.3	42.9	-11.6	(27%)	7.9	23%
secunet AG net income for the year (in million euros)	36.9	43.5	-6.6	(15%)	10.7	33%

Independent auditor's report on the audit of the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG)

To secunet Security Networks Aktiengesellschaft, Essen

We have audited the remuneration report of secunet Security Networks Aktiengesellschaft, Essen, prepared in accordance with Section 162 of the German Stock Corporation Act (AktG) for the financial year from 1 January to 31 December 2022 including the related disclosures.

Responsibilities of the executive directors and the Supervisory Board

The executive directors and the Supervisory Board of secunet Security Networks Aktiengesellschaft are responsible for the preparation of the remuneration report, including the related disclosures, in compliance with the requirements of Section 162 AktG. The executive directors and the Supervisory Board are also responsible for such internal controls as they deem necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the valuations and the related disclosures contained in the remuneration report. The audit procedures are selected at the auditor's due discretion. This includes assessing the risks of material misstatement – whether due to fraud or error – of the data in the remuneration report including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant to the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the specific circumstances, but not to express an audit opinion on the effectiveness of the Company's internal control system. An audit also includes an assessment of the accounting principles used and the reasonableness of accounting estimates made by the executive directors and the Supervisory Board, as well as an evaluation of the overall presentation of the remuneration report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from 1 January to 31 December 2022, including the related disclosures, complies in all material respects with the accounting provisions of Section 162 AktG.

Reference to any other matter – Formal audit of the remuneration report pursuant to Section 162 AktG

The substantive audit of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by Section 162 (3) of the German Stock Corporation Act (AktG), including the issuance of a report on this audit. As we express an unqualified audit opinion on the substantive audit of the remuneration report, this audit opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement concluded with secunet Security Networks Aktiengesellschaft. The audit was conducted for the purposes of the Company and the auditor's report is intended solely to inform the Company about the results of the audit. Our responsibility for the audit and for our auditor's report is to the Company alone in accordance with this engagement. The auditor's report is not intended for any third parties to base any (investment and/or financial) decisions thereon. We therefore do not assume any responsibility, duty of care or liability towards third parties; in particular, no third parties are included in the scope of protection of this contract. Section 334 of the German Civil Code (BGB), according to which objections arising from a contract may also be raised against third parties, is not waived.

Essen, 22 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Philip Meyer zu Spradow	Michael Herting
German Public Auditor	German Public Auditor

Independent auditor's report on a limited assurance engagement on non-financial reporting

To secunet Security Networks AG, Essen

We have performed a limited assurance engagement on the combined non-financial statement of secunet Security Networks AG, Essen (hereinafter referred to as the "Company"), contained in the section "Combined non-financial statement of the Company and the Group" of the combined management report, for the period from 1 January to 31 December 2022 (hereinafter referred to as the "combined non-financial statement").

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions referred to in the combined non-financial statement.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the combined non-financial statement in accordance with Sections 315c in conjunction with 289c to 289e HGB and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the delegated acts adopted in relation thereto, as well as with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted in relation thereto, as set out in the section "EU Taxonomy" of the combined non-financial statement.

This responsibility of the Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures of the Group which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the non-financial statement) or error.

The EU Taxonomy Regulation and the delegated acts adopted in relation to it contain wording and terms that are still subject to considerable uncertainties of interpretation and for which clarifications have not yet been published in all cases. For this reason, the executive directors have set out their interpretation of the EU Taxonomy Regulation and the delegated acts adopted in relation to it in the section "EU Taxonomy" of the combined non-financial statement. They are responsible for the defensibility of this interpretation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality control of the audit firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the condensed non-financial statement of the Company, with the exception of the external sources of information or expert opinions referred to in the combined non-financial statement, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the related delegated acts as well as the interpretation by the executive directors as set out in the section "EU Taxonomy" of the combined non-financial statement.

In a limited assurance engagement, the audit procedures performed are less extensive than in a reasonable assurance engagement, resulting in a substantially lower level of assurance. The audit procedures are selected at the auditor's due discretion.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organisation of the Group and of the stakeholder engagement
- Inquiries of the executive directors and of the personnel involved in the preparation of the combined non-financial statement regarding the preparation process, the internal control system relating to this process and selected disclosures in the combined non-financial statement
- Identification of the likely risks of material misstatement of the combined non-financial statement
- Analytical assessment of selected disclosures in the combined non-financial statement
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the Group management report
- Assessment of the presentation of the combined non-financial statement
- Evaluation of the process for identifying taxonomy-eligible and taxonomy-compliant economic activities and the corresponding disclosures in the combined non-financial statement

The executive directors have to interpret undefined legal terms when determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation and, accordingly, our assurance in this regard are subject to uncertainties.

Audit opinion

Based on the assurance procedures performed and the assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of the Company for the period from 1 January to 31 December 2022 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the related delegated acts as well as the interpretation by the executive directors as set out in the section "EU Taxonomy" of the combined non-financial statement. We do not provide an opinion on external sources of information or expert opinions referred to in the combined non-financial statement.

Restriction on Use of the Assurance Report

We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is intended solely to inform the Company about the results of the limited assurance engagement. Consequently, it may not be suitable for any purpose other than the aforementioned. The report is thus not intended for any third parties to base any (assets) decision thereon. Our sole responsibility is to the Company. We do not assume any responsibility towards third parties. Our assurance conclusion is not modified in this respect.

Düsseldorf, 21 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Aissata Touré
German Public Auditor

ppa. Thomas Groth

Service

Locations

Headquarters Essen
secunet Security Networks AG
Kurfürstenstraße 58
45138 Essen
Phone: +49 201 54 54-0
Fax: +49 201 54 54-1000

Berlin
secunet Security Networks AG
Alt-Moabit 96
10559 Berlin

Berlin
SysEleven GmbH
Boxhagener Straße 80
10245 Berlin

Bonn
secunet Security Networks AG
Dreizehnmorgenweg 6
53175 Bonn

Dresden
secunet Security Networks AG
Ammonstraße 74
01067 Dresden

Frankfurt
secunet Security Networks AG
Mergenthalerallee 77
65760 Eschborn

Hamburg
secunet Security Networks AG
Osterbekstraße 90 b
22083 Hamburg

Hanover
stashcat GmbH
Schiffgraben 47
30175 Hanover

Ilmenau
secunet Security Networks AG
Werner-von-Siemens-Straße 6
98693 Ilmenau

Munich
secunet Security Networks AG
Konrad-Zuse-Platz 2–12
81829 Munich

Paderborn
secunet Security Networks AG
Hauptstraße 35
33178 Borchen

Siegen
secunet Security Networks AG
Weidenauer Straße 223–225
57076 Siegen

Stuttgart
secunet Security Networks AG
Neue Brücke 3
70173 Stuttgart

Training Center Dresden
secunet Security Networks AG
Ammonstraße 74
01067 Dresden

Financial calendar

24 March
Annual Report 2022

11 May
Group Quarterly Statement as at 31 March 2023

31 May
Annual General Meeting 2023

10 August
Half-Year Financial Report 2023

9 November
Group Quarterly Statement as at 30 September 2023

Imprint

Issued by
secunet Security Networks AG
Kurfürstenstraße 58
45138 Essen

Phone: +49 201 54 54-0
e-mail: info@secunet.com
www.secunet.com

Investor Relations
Phone: +49 201 54 54-3937
e-mail: investor.relations@secunet.com

Press
Phone: +49 201 54 54-1234
e-mail: presse@secunet.com

Concept, design and setting
sam waikiki GbR, Hamburg
www.samwaikiki.de

Text
secunet Security Networks AG

Information

This financial report contains statements regarding the future performance of secunet Group, as well as economic and political developments. These statements are opinions that we have formed based on the information currently available to us. Should the assumptions on which these statements are based not be applicable or should further risks arise, the actual results may deviate from the results currently expected. We cannot therefore offer any guarantee as to the accuracy of these statements.

Due to rounding, it is possible that individual figures in this annual report may not add up precisely to the totals provided and percentages presented may not accurately reflect the absolute values to which they relate.

For better readability, we use only the grammatically masculine form in this report. References to persons always apply to all genders involved: male, female, diverse.

All the brand and trade names or product names mentioned in this report are the property of the corresponding holder. This applies in particular for DAX, MDAX, SDAX, TecDAX and Xetra as registered trademarks and property of Deutsche Börse AG.

This Annual Report was published on 24 March 2023. It is available in German and English. Both versions are available for download at www.secunet.com. The German version is legally binding in cases of doubt.

secunet Security Networks AG
Kurfürstenstraße 58
45138 Essen

Phone: +49 201 54 54-0
Fax: +49 201 54 54-1000

e-mail: info@secunet.com
Internet: www.secunet.com

SecurITy made in Germany

TeleTrusT Quality Seal
www.teletrust.de/itsmig