

Quarterly Statement

First Quarter 2020



CYan
DIGITAL SECURITY

cyan AG, Munich DE

Quarterly statement

Course of business

We look back to a challenging and extraordinary first quarter of 2020. On the one hand, we were able to announce some new deals and collaborations and have successfully continued the technical integration of our existing projects, on the other hand, the Covid-19 crisis has taken us by surprise. We had a very dynamic start to the year. The setup of our sales teams was in full swing. The number of prospective customers had increased significantly, and some contract signings were just around the corner. Preceding the actual lockdown, the Mobile World Congress in Barcelona was canceled at the end of February. As a result, the first worldwide presentation of our product by Orange could not take place as planned.

In mid-March, the home office phase also began for cyan, which we as a "digital company" were able to easily execute – in particular, the technical implementation of existing projects has continued unabated from our side. However, the global restrictions such as travel restrictions or short-time work led to delays in installations, technical on-site workshops and the finalization of contracts at our customers.

On the other hand, existing installations of cyan saw a noticeable increase in subscriptions. Shifting large parts of the population to the home office resulted in a significant increase in data traffic via private, unsecured networks, which resulted in an immediate increase in damage caused by phishing and malware. Many telecommunications companies recognize this fact and want to offer their customers suitable products for protection.

By far the most important cyan project remains the product launch at Orange in France, which is to be implemented in the second half of the year. The go-live of the cyber security solution is planned, next to the Child Protection product, first in the B2B and later in the B2C segment. At the same time, the roll-out in other European countries is being prepared.

The technical integration at Aon was successfully implemented in the first quarter and completed at the end of April. This represents a significant milestone – Aon's "CySec" app is now available for download from both the Google Play Store and the Apple App Store. Aon will actively advertise the product in Europe and in particular also offer it to its corporate customers.

With the expansion of cyan's technology for Magenta Austria's fixed-line customers, cyan was able to win another new end customer segment. We are currently in the implementation phase of this product. At the same time, Magenta is working on the marketing and product bundling strategy. The product launch is still planned for the second half of 2020.

In March 2020, a strategic cooperation with First Investment Bank (Fibank), the third largest Bulgarian bank, was concluded. The market launch is currently uncertain due to the Covid-19 crisis.

Also, in March 2020, a cooperation with Vara Technology, an Indian IT integrator with a wide range of digital services was concluded. Vara Technology will offer cyan's highly

scalable cyber security solutions to Indian mobile network operators (MNOs) and insurers. Vara Technology is another positive example of cyan's strategy of opening up new markets with selected integration partners in order to initially avoid ramp-up costs for its own support and sales centers.

In May the contract with MobiFone (Vietnam) on the child protection product was realized. MobiFone is a fast-growing MNO with more than 30 million customers and is considered trans-regional as a highly innovative telecommunications company. cyan will initially implement its child protection product and subsequently plans to roll out network-integrated internet protection. The technical integration has already started and is being implemented onsite with a subsidiary of MobiFone (MobiFone Global).

Outlook for the remaining financial year 2020

As mentioned, the Covid-19 crisis will also have a significant impact on our company. Although cyan also functions in home office, we see significant delays in projects on the part of our (prospective) customers due to travel restrictions, short-time work and lock-downs. On the one hand, this crisis is a boost for digitization and thus for mobile internet protection in the medium term, on the other hand, technical integrations, product launches and contracts will be postponed in the short term.

Due to the delayed product launches of our customers, we currently see a delay in the implementation of our original planning of 6 to 12 months. We can therefore no longer maintain the forecast for 2021 of 75 million sales.

However, we are sticking to the forecast made in the 2019 annual financial statements that both revenues and EBITDA for the full year 2020 should be at least at the level of 2019.

Earnings, financial and asset situation

Recorded total earnings in the first quarter of 2020 amounted to EUR 4.0 million and consisted of EUR 2.5 million in revenues, EUR 0.4 million in other operating income and EUR 1.1 million in capitalized own work. Approximately two thirds of revenues are attributable to the BSS/OSS segment. The capitalized own work relates to the integration efforts at Orange.

EBITDA amounted to EUR -1.7 million, partly due to the organizational build-up and associated expenses in the current year. The operating result (EBIT) was EUR -3.1 million. Earnings before taxes (EBT) amounted to EUR -3.1 million and the net loss for the quarter was EUR -2.2 million. Accordingly, undiluted earnings per share in the first quarter of 2020 were EUR -0.23.

Total assets amounted to EUR 98.4 million as of 31 March 2020 (31 December 2019: EUR 99.3 million). Equity now totals EUR 80.2 million (31 December 2019: EUR 82.2 million), which corresponds to an equity ratio of 81.6% (31 December 2019: 82.8%).

Cash flow from operating activities amounted to EUR -2.2 million in the first quarter, cash flow from investing activities to EUR -0.5 million and cash flow from financing activities to EUR -0.2 million, bringing total cash flow to EUR -2.8 million.

Net debt thus totaled EUR -0.9 million as of 31 March 2020, with cash amounting to EUR 6.0 million. The difference in net debt compared to the previous period (31 December 2019: EUR -5.1 million) stemmed from a negative total cash flow of EUR 2.8 million, positive effects from exchange rate changes of EUR 0.3 million and an increase in IFRS lease liabilities of EUR 1.7 million. The latter resulted from the expansion of office space in Vienna, which was rented on a long-term basis in the first quarter.

Key Figures

Earnings Figures		Q1 2020	2019
Total earnings ^a	in EUR thousand	3,962	32,507
EBITDA	in EUR thousand	-1,732	11,670
EBITDA-Margin ^b	in %	-71%	44%
EBIT	in EUR thousand	-3,138	5,529
EBIT-Margin ^b	in %	-128%	21%
Net income/loss	in EUR thousand	-2,206	4,530
Earnings per share	in EUR	-0.23	0.49

Segment Figures		Q1 2020	2019
Revenue BSS/OSS	in EUR thousand	1,676	18,406
Revenue Cybersecurity	in EUR thousand	780	8,348
EBITDA BSS/OSS	in EUR thousand	-646	11,512
EBITDA Cybersecurity	in EUR thousand	-861	3,650

Cash Flow Figures		Q1 2020	2019
Operating cash flow	in EUR thousand	-2,151	-5,834
Investment cash flow	in EUR thousand	-479	460
Financing cash flow	in EUR thousand	-198	11,797

Balance Sheet Figures		31/Mar/20	31/Dec/2019
Assets total	in EUR thousand	98,359	99,255
Equity	in EUR thousand	80,218	82,157
Net debt ^c	in EUR thousand	-867	-5,056
Cash ^d	in EUR thousand	5,999	8,512

Key Operating Figures		31/Mar/20	31/Dec/2019
Number of staff ^e		149	135
Leads in advanced stage ^f		66	58
Addressable market ^g	in million	64	50

^a Consisting of sales revenue of EUR 2.5 million other earnings EUR 0.4 million, changes in inventories and unfinished goods and work in progress EUR 1.1 million

^b Calculated as EBITDA or EBIT divided by sales revenues

^c Delta to previous period results from negative cash flow of EUR 2.8 million, positive effects from exchange rate changes of EUR 0.3 million and the increase in IFRS lease liabilities of EUR 1.7 million resulting from an additional office rent in Q1; cyan is still debt-free

^d Delta from total cash flow of EUR -2.8 million plus cash as of 31 December 2019 of EUR 8.5 million and the effect of exchange rate changes of EUR 0.3 million

^e On 1 June 2020 the number of employees amounted to 157

^f Corresponds to leads according to the internal sales cycle phases: Proof of Concept, Request for Proposal/Quota, Close to Signing

^g Existing contractual relationship where technical integration has already been started/implemented; the delta of 14 million compared to the previous period results from Aon customers who are to be addressed directly with the CySec app as a first step

Further Information

Financial Calendar

Event	Date	Location
2 nd Annual General Meeting	2 July 2020	Munich, DE / virtual
Interim report H1 2020	until October 2020	-
Quarterly results Q3 2020	until December 2020	-

Disclaimer

Statements on future events and developments

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

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

Note on rounding

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

Gender-neutral formulation

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

Imprint

Publisher

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Theatinerstraße 11
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HR Munich: HRB 232764

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