



CYan
DIGITAL SECURITY

Consolidated Interim Report for the financial year 2019

cyan AG, Munich DE



Key Figures

Earnings Figures		H1 2019	H1 2018	Change
Total earnings ¹	in TEUR	7,932	2,157	+268%
EBITDA ²	in TEUR	(1,034)	(694)	-49%
EBITDA margin	in %	-15%	-35%	n/a
EBIT ²	in TEUR	(3,820)	(1,735)	-120%
EBIT margin	in %	-54%	-87%	n/a
Consolidated profits	in TEUR	(3,967)	(1,592)	-149%
Earnings per share	in EUR	(0)	(0)	-149%

Cash Flow Figures		H1 2019	H1 2018	Change
Operating cash flow	in TEUR	(2,946)	n/a	n/a
Investment cash flow	in TEUR	(8)	n/a	n/a
Financing cash flow	in TEUR	2,104	n/a	n/a

Balance Sheet Figures		30/06/2019	31/12/2018	Change
Assets total	in TEUR	79,650	81,694	-3%
Equity	in TEUR	49,343	50,578	-2%
Net debt	in TEUR	12,775	9,759	+31%

Key Operating Figures		30/06/2019	31/12/2018	Change
Number of staff		121	139	-13%
Theoretically addressable market ³	in mio.	50	8	+525%

¹ Consisting of sales revenues of EUR 7,029 thousand plus other revenues EUR 903 thousand

² Effect of IFRS 16: EBITDA EUR +204.3 thousand; EBIT EUR +8.9 thousand

³ Existing contractual relationship, under which technical integration has already commenced



Interim Report 2019
cyan



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Michael Sieghart (CFO)

Peter Arnoth (CEO)

Markus Cserna (CTO)

„Our mission is to provide digital security products for digital beginners and digital natives all at the same time - simplicity paired with functionality.“

-Peter Arnoth

Report of the Management Board

Dear shareholders,

We are looking back at a successful and challenging first half of 2019. With our innovative cybersecurity and telecom solutions, we have been able to gain additional important customers and partners, significantly drive projects forward and improve our market position – at the same time, the restructuring and integration of i-new was pushed forward determinedly.

After concluding the agreement with Orange, the most important in the company's history, during the past six months, the next steps had to be taken on the road to successful implementation of our products for over 260 million end customers in 28 countries. Among others, a project team made up of around 30 cyan employees was formed and a project office was established in Paris. On the part of Orange as well, the focus is on implementation of our product – for the launch in France alone, more than 50 Orange employees have been allocated to the project. Parallel to the deployment in France, implementation is also being prepared in other countries – both in Europe and in Africa. The global licence agreement stipulates that all 28 Orange countries can have access to our cybersecurity solutions. In France, they will be offered first to business customers and then to private customers.

The cooperation agreement with Aon, one of the world's leading insurance brokers, which was concluded at the end of the second half of 2018, started off well. cyan's cybersecurity products will be integrated into a newly designed mobile app in the coming months and then offered to end customers through Aon's marketing channels. Additionally, large insurance customers of Aon are to be won directly for cyan's security solutions.

At the beginning of July 2019, a strategic cooperation agreement was concluded with Wirecard, one of the world's leading providers of payment services and risk management solutions. Wirecard does mainly supply software systems in which cyan's cybersecurity products are to be integrated, to banks and FinTech providers. In August 2019, a test phase (proof of concept) was set up at Telecom Argentina, a large Argentine telecommunications company with around 20 million end customers. As with Orange, our goal is to offer Telecom Argentina's end customers a comprehensive portfolio of cybersecurity products.

Our existing partnerships also developed successfully. The cooperation with Magenta (formerly T-Mobile Austria) was extended ahead of schedule, until the end of 2022. By Magenta taking over UPC and the integration of fixed line customers, cyan's potential customer base has grown by approximately 50%. Currently, expansion of the product range for landline customers is at the design stage.

Within our MVNO Services (BSS/OSS), our most important customers are developing very well. In the coming months, we plan to selectively expand our business relationships with customers such as ACN in Latin America, Skitto in Bangladesh and Spark/Skinny in New Zealand.

In order to anticipate this rapid growth in organisational terms as well, the step-by-step expansion of our organisation was driven forward, on the one hand, through a targeted

increase in the number of employees. On the other hand, i-new had to be fully integrated into the group and necessary restructuring steps had to be taken. The global operations of the two subsidiary companies were merged in Sopron (Hungary), processes were optimised, and structures have been adjusted accordingly. Our efforts at i-new focused on concentrating on profitable customers and leveraging synergy effects. Within the framework of the “One Brand, One Company” brand strategy, both companies will in future only operate under the “cyan” brand.

Finally, in August the activities of cyan and i-new in Austria have also been physically combined at a new location at Vienna Central Station. This leads directly to significantly shorter communication channels and better exchange of knowledge, under optimal working conditions.

Implementation of an information technology service management system (ITSM) and the associated processes and measures has been expanded during the first half of 2019, to cover the entire cyan Group. Following the acquisition of i-new, the project that was already in its final phase, had to be critically reviewed, reassessed and restarted at the beginning of 2019. We have consciously decided against fast certification reduced in scope and wish to document the high importance of data security within cyan by extending it throughout our entire organisation. The final audit in context of the ISO 27001 certification is planned for the first half of 2020.

In the field of research & development, cyan has achieved significant success by the European Patent Office in July promising that an innovative analytical method for detecting harmful content on the internet would be patentable. On 29 August 2019, the patent was then formally granted by the European Patent Office and it is in the course of being registered in the major European countries.

In addition to the achievements mentioned above in R&D, project work and at organisational level, strategic decisions have also been taken during the reporting period. Concluding the agreement with Orange has fundamentally changed the company. On the one hand, because of its sheer size, the agreement is of ground-breaking proportions for cyan, whilst on the other hand it also represents an immense validation of our technology. We see it as an instruction to gain more customers even more quickly and to further accelerate our rate of growth.

To that end, cyan announced a capital increase in July, by issuing new shares to a value of EUR 24.9 million in total. Over the next 12 to 18 months, the new funds will be invested in accelerated customer acquisition on the one hand, and in persistent expansion of the organisation and research and development on the other.

The project launches with new customers such as Orange and Aon, as well as numerous test phases with prospective customers, pushed our internal resources to their limits during the reporting period. Therefore, especially software development and marketing have already been strengthened in the first half of the year. Additionally, more employees have been selectively taken on at middle management level and various management tools, including a CRM system and new management accounting software, have been implemented.

The cost of the extensive restructuring of i-new has been recognised in the financial figures for the first half of the year. Total revenue of EUR 7.9 million for the first half of the year was in line with our expectations and characterised by certain seasonal effects that are typical for the telecommunications industry. Agreements with customers that cyan has concluded during the second half of 2018 have been implemented during the

first half of 2019, but are not yet reflected in the figures for the reporting period. Accordingly, we expect a significantly stronger second half.

Partly due to the far-reaching organisational restructuring and the associated expenses, EBITDA amounted to EUR -1.0 million, which corresponds to a negative EBITDA margin of 15%. The operating result (EBIT) was EUR -3.8 million. Earnings before taxes (EBT) amounted to EUR -3.9 million, whilst the shortfall for the year was EUR 4.0 million. Accordingly, undiluted earnings per share amounted to EUR -0.45 during the first half of 2019.

On 30 June 2019, total assets of the group amounted to EUR 79.7 million (31 December 2018: EUR 81.7 million). Equity amounts to EUR 49.3 million (31 December 2018: EUR 50.6 million); this corresponds to an unchanged equity ratio of 61.9% (31 December 2018: 61.9%). Net financial liabilities rose from EUR 9.8 million on 31 December 2018 to EUR 12.8 million on 30 June 2019.

With the report for the first half of 2019, cyan does for the first time and voluntarily publish fully consolidated interim IFRS accounts, which also includes a cash flow statement. The cash flow from operating activities amounted to EUR -2.9 million during the reporting period and, in addition to the company's revenues that were postponed to the second half of the year, is particularly influenced by the restructuring of i-new and the associated increase in expenses. Moreover, extraordinary payables booked at the end of 2018 have been paid during the first half of 2019.

In future, we should like to offer even more transparency, and in this regard we are planning to up-list from the Scale Segment to the Prime Standard of the Frankfurt Stock Exchange during the course of the coming year. Further, we are pleased to be able to present the consolidated semi-annual results in this new format for the first time.

We would also like to thank you, our shareholders, for the trust you have placed in us and we are looking forward to entering a promising future with you.



Peter Arnoth
CEO



Markus Cserna
CTO



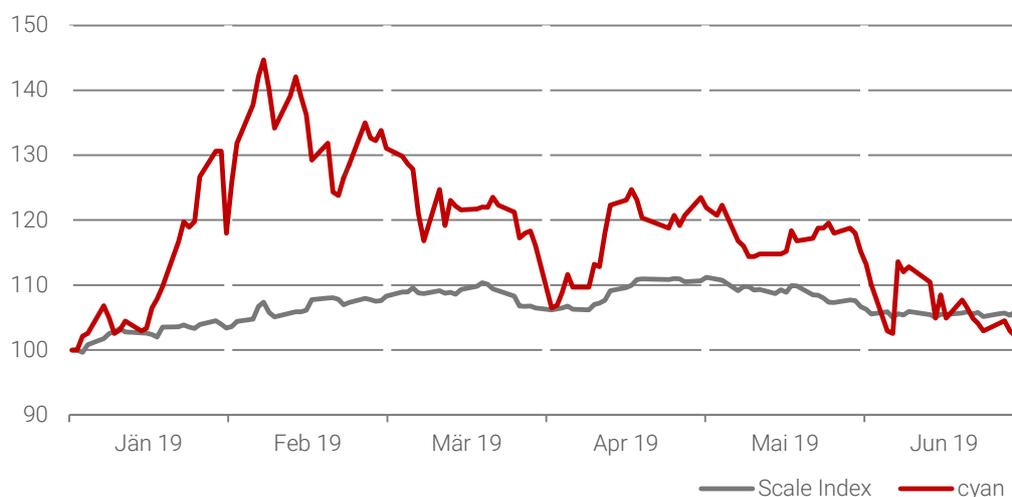
Michael Sieghart
CFO



cyan-Share

cyan share development 1 Jan 2019 – 30 Jun 2019¹

Img. 1



¹ Xetra closing prices indexed at 100

cyan AG is listed in the Open Market (Scale Segment) of the Frankfurt Stock Exchange. Uplisting on the Prime Standard of the Frankfurt Stock Exchange, which comes with the strictest transparency and disclosure requirements in Germany, is planned for 2020.

On 6 February 2019, the highest XETRA-closing price on Xetra during the first half of 2019 was reached, at EUR 36.55. The lowest closing price occurred on 2 January, at EUR 25.26. The performance of the cyan share was +1.74% during the first half of 2019. During the same period, the Scale All Share Performance Index that includes the performance of all listed companies in the scale segment, rose by 6.9%. Based on the bearer shares outstanding at that time, market capitalisation of cyan amounted to EUR 228 million on 30 June 2019.

Annual General Meeting

At the first ordinary shareholders' meeting since the successful initial public offering in March 2018, the Management Board and Supervisory Board of cyan AG received a great deal of approval from the shareholders for their strategy and orientation of the company. 69% of all issued shares were represented at the AGM. All items for resolution on the agenda were adopted by great majority.¹

In addition to discharging the Management Board and Supervisory Board, the Annual General Meeting approved the adjustment of the remuneration of the members of the Supervisory Board, the election of the auditor and the conclusion of a non-cash and cash contribution agreement. This will serve to simplify and streamline the organisation within the cyan Group – especially after the successful acquisition of i-new in July 2018. Furthermore, Dr Lucas Prunbauer, previously a member of the Supervisory Board appointed by the Munich District Court, has now been confirmed as a member of the Supervisory Board of cyan AG by resolution of the Annual General Meeting. Newly created at the Annual General Meeting was an authorised capital in the amount of 50% of nominal capital. Additionally, the Management Board was authorised to issue convertible bonds and/or bonds with warrants. Conditional capital was created accordingly. Details about the Annual General Meeting, including the voting results, may be retrieved online from the Investor Relations section (cyan.ag).

¹ Each individual item was adopted with at least 86% of the quorum that was present.

Capital increase

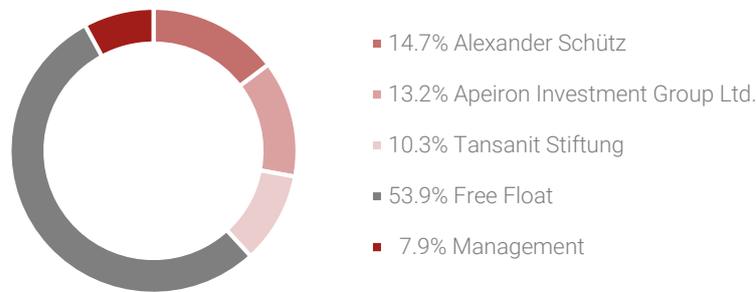
On 10 July 2019, i.e. after the balance date, a total of 888,594 new shares were issued within the framework of a capital increase within authorised capital against cash and were placed in the course of an accelerated book-building process with institutional investors. The placement price was EUR 28.00 per share. Through the placement of the new shares, the company raised EUR 24.9 million. After the capital increase, the nominal capital of the company is EUR 9,774,538.00, divided into 9,774.538 shares.

Shareholder structure

The shareholder structure is as follows: Alexander Schütz 14.7%, Apeiron Investment Group Ltd. 13.2%, Tansanit Foundation 10.3% and the Management Board 7.9%. The free float amounts to 53.9%.

Shareholder structure

Img. 2



The core shareholders Alexander Schütz, Apeiron Investment Group Ltd. and the Tansanit Foundation support the accelerated growth strategy and have converted their existing lock-up agreement with Berenberg, which previously provided for validity period of six months with standard market exceptions, to a hard lock-up of 12 months (meaning without the possibility of early unblocking).

Key share data

WKN (SIN)	A2E4SV
ISIN	DE000A2E4SV8
Stock symbol	CYR
Trading segment	Open Market (Scale)
Sector	Software
Exchange	XETRA und Frankfurt
Type of shares	Bearer shares
First trading day	28 Mar 2018
First issue price in EUR	23.00
Number of shares on 30 June 2019	8,885,944
Number of shares on 10 July 2019 (after capital increase)	9,774,538
Market capitalisation on 30 June 2019 (in TEUR)	228,369
Share price in EUR on 28 June 2019 ²	25.70
Percentage change (since 1 January 2019)	1.74%
High during the period (Jan – Jun 2019) ²	36.55
Low during the period (Jan – Jun 2019) ¹	25.26

¹ Xetra closing price

Research reports

A total of eight analysts covered the cyan share. Six institutions issued a 'buy' recommendation for the cyan share, whilst one issued a 'sell' recommendation. The average price target is EUR 35.86.

Analysts	Date	Price target (EUR)	Recommendation
Commerzbank	2 Sep 2019	18.00	Reduce
Berenberg	30 Aug 2019	38.00	Buy
Hauck & Aufhäuser	27 Aug 2019	35.00	Buy
Kepler Cheuvreux	21 Aug 2019	33.50	Buy
Mainfirst Bank	20 Aug 2019	30.00	Outperform
Edison Research	1 Jul 2019	n/a	n/a
Bankhaus Lampe	16 Jan 2019	47.00	Buy
GBC	10 Dec 2018	49.50	Buy

Financial calendar

Event	Date	Location
German Equity Forum	25 -27 Nov 2019	Frankfurt, DE
Berenberg Discovery Conference	2 -4 Dec 2019	London, UK
Publication Q3 report	Dec 2019	-



Interim Group Report

Fundamentals of the Group

Business model

CYAN AG (XETR: CYR; hereinafter "cyan") is a leading global provider of intelligent IT security solutions and telecom services with more than 15 years of experience in the IT industry. The main business areas of the company are cybersecurity solutions for end customers of mobile and fixed network internet providers (MNO, ISP), banks and insurance companies, virtual mobile communications providers (MVNOs), as well as BSS/OSS as mobile virtual network enabler (MVNE). cyan's solutions are integrated into the business partner's infrastructure and then offered in the partner's name ("white labelled") to the end customer ("B2B2C").

Nowadays, the group of companies has more than 50 international customers, through whom the products of cyan are sold to around 8 million end customers. cyan can offer an offer along the entire value chain, from the platform, data optimisation to cybersecurity. Moreover, cyan operates its own research & development centre with the goal of identifying trends in the industry at an early stage and developing optimal product solutions. In December 2018, cyan has been awarded a global group agreement with Orange, within the framework of an international tender. cyan's cooperation partners include, inter alia, the world's leading insurance broker Aon and the financial services provider Wirecard.

Group structure

cyan AG, with its statutory seat in Munich in Germany, acts within the Group as holding company. Operational services are provided by its international subsidiary companies, particularly by Cyan Security Group GmbH ("cyan GmbH") and I-New Unified Mobile Solutions AG ("i-new").

At the end of August 2019, the Group structure was changed in accordance with the resolution adopted at the Annual General Meeting. Details concerning changes to the group structure are available in the Events occurring after the reporting period section in this report.

Products and solutions

During the last few years, cyan has developed four products that are offered to customers individually and also as combined solutions – these are On-Net Security, Clean Pipe DNS, Endpoint Protection and MVNO Services (BSS/OSS).

On-Net Security

On-Net Security is cyan's fully network-integrated cybersecurity solution, which for example is deployed at Magenta (formerly T-Mobile Austria), T-Mobile Poland and soon also in Orange's networks. The filter is directly integrated into the network infrastructure of the corresponding MNO, so that the MNO can generate revenues from its end customer through additional packages (such as Magenta with "Internet Protection" in Austria) and at the same time strengthen its own brand with cyan's white-label approach. cyan either receives an annual licence fee per active end customer for the provision of the cybersecurity solution or directly receives a fixed percentage of the revenues.

Clean Pipe DNS

With Clean Pipe DNS, irrelevant data packets are filtered from the data stream, resulting in significant cost savings for MVNOs. The cyan software particularly blocks trackers and advertisements that load in the background, thereby improving the customer's surfing experience and reducing the amount of data that is consumed. Because of the data reduction with Clean Pipe, MNOs are also confronted less often with load peaks in their network, enabling the network operator to postpone network-related capex.

Endpoint Protection

The mobile device is fully secured through cyan's Endpoint Protection. The end user protects his smartphone by means of an app that adds more features in addition to the cybersecurity filter, such as an identity and web-site check or a risk module. This solution is connected to the cyan filter system, which is implemented in the customer's infrastructure.

MVNO Services (BSS/OSS)

This product emanates from the business of i-new. MVNOs are offered the entire product range for operating a virtual mobile communications company. cyan's spectrum includes, among others, the integration into the MNO's network, invoicing, credit management, provisioning, etc.

Economic situation and business performance

General economic conditions

The outlook for global economic growth in 2019 has recently weakened. The International Monetary Fund had revised its growth forecast for the global economy downwards by 0.1 percentage points in July and is now forecasting growth of 3.2% for 2019. The subdued outlook is due in part to the ongoing US-China trade conflict and uncertainty over how Brexit will develop.¹

These effects are also felt in Europe. Notwithstanding a positive start to 2019, the economists of the EU Commission² have corrected their economic outlook for the eurozone downwards. In their summer forecast, they now expect GDP growth of a mere 1.2%. In Germany, which is one of the driving forces in the EU, the Kiel Institute for the World Economy³, the Munich Ifo Institute⁴ and the Bundesbank⁵ all expect GDP to grow at an annualised rate of only 0.6% in 2019.

Sector-specific developments

The core market of cyan consists of the protection of mobile data traffic against threats from the internet (cybersecurity) and of services for telecommunications companies. This sector is experiencing significant growth. In Europe, the use of mobile phones with

¹ IMF (2019), World Economic Outlook July Update. <https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019>.

² European Commission: Economic and Financial Affairs (2019), Institutional Paper 108 "European Economic Forecast. Summer 2019".

³ Ademmer et.al. (2019), Kieler Konjunkturberichte Deutschland, Nr. 56 (2019 | Q2).

⁴ Wollmershäuser et.al. (2019), ifo Konjunkturprognose Sommer 2019: Deutsche Konjunktur ohne Schwung in ifo Schnelldienst 12/2019 (Volume 72).

⁵ Deutsche Bundesbank (2019), Monatsbericht Juni 2019 (Volume 71, No. 6).

internet access and the use of data is increasing year by year, as is the use of banking services whilst on the move (mobile banking). Revenues in e-commerce are increasingly generated on mobile devices (m-commerce). Moreover, acceptance of smartphone-based means of payment is also steadily increasing. Apple Pay, like other FinTech providers, is already shaping international payment transactions. On the other hand, many mobile phone customers have already become victims of cybercrime. This situation offers a positive environment for cyan's products and services, notwithstanding the slowdown in the economy.

Earnings, financial and assets positions

Development of earnings

Total earnings in the first half of 2019 amounted to EUR 7.9 million after EUR 2.2 million in the same period of the previous year and consisted of revenues from sales of EUR 7.0 million and of earnings of EUR 0.9 million from other operating income. This equals a growth of 268%. In addition to organic growth, the increase is mainly attributable to the consolidation of the subsidiary company i-new in the consolidated group accounts for the first half of 2019.

EBITDA

EBITDA for the first half of 2019 was impacted in particular by personnel expenses and cost of materials. Other operating expenses amounted to EUR -2.4 million. Accordingly, EBITDA amounted to EUR -1.0 million, compared to EUR -0.7 million the previous year. This corresponds to an EBITDA margin of -15%. The result was influenced in the first half of 2019 by the targeted build-up of organisational structures (such as the establishment of a project office in Paris), the accelerated investment programme and the restructuring effort at i-new. cyan has begun to align its organisation to the rapid growth of the future. In the first half of 2019, the company has already increased its investments in staff recruitment in the areas of sales, marketing and software development.

Financial result

The financial result for the period under review amounts to EUR -0.1 million (H1 2018: EUR -0.0 million) and is made up of financial earnings of EUR 0.1 million and financial expenses of EUR -0.2 million.

Half-year loss and earnings per share (EPS)

cyan's net income amounted to EUR -4.0 million in the first half of 2019, compared to EUR -1.6 million in the first half of 2018. This corresponds to negative earnings per share of EUR 0.45 in the first half of 2019.

Effect of applying IFRS 16

The application of IFRS 16 had a positive effect of EUR 204.3 thousand on EBITDA in the Group, because rental expenses does not arise under IFRS 16. On the other hand, EBIT was reduced through additional depreciations of EUR 195.4 thousand. After interest expenses of EUR 12.2 thousand, IFRS 16 had an effect of EUR -3.4 thousand on net profit for the period. Explanations to the effects of IFRS 16 are shown in the appendix, from page 30 of the semi-annual report onwards.

Staffing development

For cyan, highly qualified employees represent one of the most important factors for the long-term success of the company. A comprehensive human resources strategy from recruiting to further development is currently being implemented, with the aim of training the right employees in the best possible way and of binding them to the company in the long run. The objective of the management is promoting the diversity of employees in terms of gender, origin, age or disability at all levels.

On 30 June 2019, cyan employed 121 people (FTEs), which is fewer than at the beginning of the year. With effect from 1 January 2019, the location in Brno (Czech Republic) was closed, reducing the number of employees by 16 FTEs – Global Operations are now run entirely from Sopron (Hungary). Additionally, the restructuring measures at i-new led to further staff restructuring and downsizing. At the same time, cyan selectively recruited qualified staff in the areas of software-and business development. Some staff members of i-new have been absorbed directly into cyan GmbH, in order to also have a specialised pool of staff organisationally available for the cybersecurity business. After reporting date, staffing was further strengthened in core areas.

A significant number of staff members, approximately 70%, is employed in operations, development as well as R&D. Internationally, cyan is also strongly positioned, not least thanks to the integration of i-new. More than 20% of cyan's staff were working outside the EU.

FTE on 30 June 2019	Total	EU	Rest of the world
Staff	121	93	28
<i>of which in operations, development, R&D</i>	<i>80</i>	<i>63</i>	<i>17</i>

Opportunities and risks

The risks situation has not changed materially since the report of 2018. However, for the sake of transparency, all opportunities and risks, including changes, are nevertheless dealt with here.

Risks and opportunities management

As an internationally operating group, cyan is exposed to various external and internal developments and events. cyan's risk management focuses on early identification of risks with the aim of identifying all risks that may or may not jeopardise the continued existence of the company and opportunities in order to decide in good time on strategic measures to be taken.

As part of the risk management system implemented throughout the Group, risk protocols are to be used to ensure comprehensive and largely uniform risk recording for central assessment and detailed monitoring of the risk situation by the Management Board, in conjunction with the division managers at both the level of the individual company and of the Group.

Market developments are carefully monitored as part of risk management, in order to decide on appropriate measures to be taken for the strategic management of the company.

Risks in detail

Operational risks

During the first half of 2019, cyan faced several challenges. On the one hand, it was necessary to cushion the existing risk of rapid growth through high order intake, for example for the Orange roll-out in combination with other roll-outs. Moreover, the establishment of an integrated organisation was pursued, which is aimed at the complete interweaving of i-new within the Group. Especially the merger of the Vienna-based offices of cyan and i-new was an important step towards short communication channels and improved exchange of knowledge under optimal working conditions. On the other hand, the growth of the Group must also be reflected in organisational terms and responded to at an early stage with targeted staffing expansion, particularly in development. The management of cyan is aware of this risk and has already appointed additional employees in recent months, especially at middle management level. In this way, rapid growth can be cushioned through additional staff.

Additionally, various management tools have been implemented, including a CRM system and new managerial accounting software. The CRM tool supports the relevant teams in processing the customer pipeline and maintaining existing customer contacts. With the implementation of a controlling software, a further step towards comprehensive and digital real-time ERP has been set. These solutions have improved transparency, control and collaboration across the organisation. Additional systems are under consideration and being discussed.

In principle, the Group's cybersecurity products are regarded to be fail-safe. However, MVNE products are subject to a considerable risk of failure or end customer risk in some cases, because of the application of platform solutions for the operation of MVNOs. If the platform/software fails, it can lead to a standstill in the operation of the MVNO, which in turn can lead to high claims for damages if cyan is at fault, and therefore to the setting aside of provisions for expenses.

Competition risk

The increased awareness of cybersecurity, the expanding use of mobile data and the increasing number of end devices are resulting in above-average market growth. Notwithstanding high entry barriers, it makes it attractive for start-ups and established providers to enter the market. As hitherto, cyan continues to see itself to be within a "Window of Opportunity" with its current technological competitive advantage to be able to supply as many customers with its cybersecurity software. No direct competitor currently has solutions on the market that combine On-Net with Endpoint security. Through targeted investments in research and development of our products, the management hopes to maintain this lead in the market and thereby minimise the competition risk.

Technological risk

cyan does, inter alia, develop network-integrated, highly complex cybersecurity solutions for the detection of potential threats such as phishing, malware or identity theft for users of mobile devices and tablets. In the fight against cybercrime and threats on the internet, cyan is involved a continuous race, with the result that cyan may not be able to react in good time to technical progression or changed requirements to cybersecurity products and services or even the entire cybersecurity market.

Products may become obsolete or outdated as new standards are set. A significant change in the MVNO/E market environment could have a negative impact on cyan.

In order not to lag behind technologically and to maintain the unique position on the market, the company does continuously develop and adapt its products and invest in research and development.

Financial risk

The potential loss of important, existing customers represents a financial risk. Furthermore, the agreement with Orange will be of great importance to the Group in terms of both sales and earnings. Management endeavours to reduce this concentration of risk, in particular by concluding agreements with new customers, and to place sales on a broader basis.

Based on the total annual budget for cyan, which was prepared under the long-term assumption of a significant increase in earnings, and on the capital increase of EUR 24.9 million in July 2019, the management considers the financial risks to be low.

Foreign exchange rate risk

In view of its underlying international business, cyan is exposed to certain foreign exchange rate risks. The company's finance department monitors these risks continuously and in particular the foreign exchange rates, in order to be able to react appropriately. Should a foreign exchange rate risk develop in the short term, it could have a negative impact on the assets, financial and earnings positions of cyan.

When expenses and investments are not denominated in euros, exchange rate fluctuations could impair the solvency of the Group's companies and negatively affect the results and/or earnings position of the Group.

Reputation risk

cyan's customers, which are mostly large international corporations, trust cyan with the security of their own end customers' data traffic and the platform operation of the MVNO. Moreover, the security solutions are offered as "white label", meaning under the name of the client. Consequently, it is crucial to ensure the best possible protection of the mobile devices of customers, who rely on the mobile operator's security solution. A failure of the software on the part of cyan would lead to considerable damage to the reputation of the client. Nonetheless, the cybersecurity solution is considered to be fail-safe.

Opportunities in detail

Opportunities through new markets and diversification

Since the acquisition of i-new, cyan's customer focus has expanded from Europe to encompass South America. The negotiations, such as with Telecom Argentina for the supply of cybersecurity products or the installation of clean-pipe solutions to BSS/OSS customers, are proof that cross-selling within the organisation works and should be further expanded.

Through the acquisition and the successful integration of i-new cyan gained not only new products and customers among MVNOs, but also new knowledge in development and access to new markets was added. Through this diversification, cyan can further expand into growth markets.

In the medium to long term, Africa, one of the fastest growing telecommunications markets, especially in the field of cybersecurity, will become of great importance to cyan. The roll-out at Orange will play a central role. Moreover, cyan will establish at least one support centre on the African continent in the near future, with the aim of establishing direct contact with customers and of solving support queries locally.

Opportunities because of restrictive legislation

For more than a year now, the General Data Protection Regulation has provided the basis for general data protection legislation in the EU. This results in an additional sensitisation, which cyan also senses. IT security solutions from the EU are particularly popular due to their high quality and trust standards. cyan's On-Net solutions are also installed directly in the network operator's infrastructure; therefore, no routing via a customer-unrelated cloud is necessary (even if possible). Therefore, cyan is also in this respect largely independent of legal changes in the field of data security and data protection.

As part of the implementation of the European Payment Service Directive 2 (PSD2), European banks are required to implement authentication mechanisms such as SMS-based one-time passwords, physical tokens and/or voice or face recognition in their online banking and payment systems. The cyan risk management module extends the existing "Strong Authentication" product of AliasLab. This cooperation enables cyan to select the optimal authentication mechanisms based on the individual threat situation of end customers and thereby secure the use of online banking in the best possible and most efficient way.

Overall risks and opportunities

cyan operates in an extremely exciting and rapidly growing industry: the cybersecurity sector with focus on the protection of mobile devices. In addition to the generally increasing volume of mobile data, cybercrime in particular will increasingly focus on mobile devices.

Our software installed and running uninterruptedly at Magenta ever since and the ongoing roll-out at Orange, one of the world's largest mobile communication companies, show that cyan has made very good decisions in terms of both product and sales channel. Especially the validation with Orange and the imminent roll-out have further immense potential, which now needs to be harvested.

We consider the described risks to be manageable, see the opportunities as huge possibilities and do not consider the continued existence of cyan to be endangered.

Prognosis

The use of mobile internet and the associated growth in mobile data consumption will continue to increase, irrespective of the weak forecast for the global economy. Despite the global slowdown, industry-specific conditions, especially for cybersecurity, remain positive.

The forecast for cyan's operating business looks very promising, especially against the background of the agreements concluded with Orange, Aon and Wirecard. Apart from continuing to seek out new contractual partners, the focus is on implementation of the many projects.

In the first half of 2019, cyan has intensified its work on the implementation of several projects, especially Orange. However, this is not yet reflected in sales for the first half of 2019. The management expects a significantly stronger second half. The funds from the capital increase will be used for the majority of investments in customer growth ("market investments") and expansion of research and development in 2020 and 2021. Management is deliberately accepting lower EBITDA margins for this accelerated growth course, which should have a significant positive impact on sales and earnings.

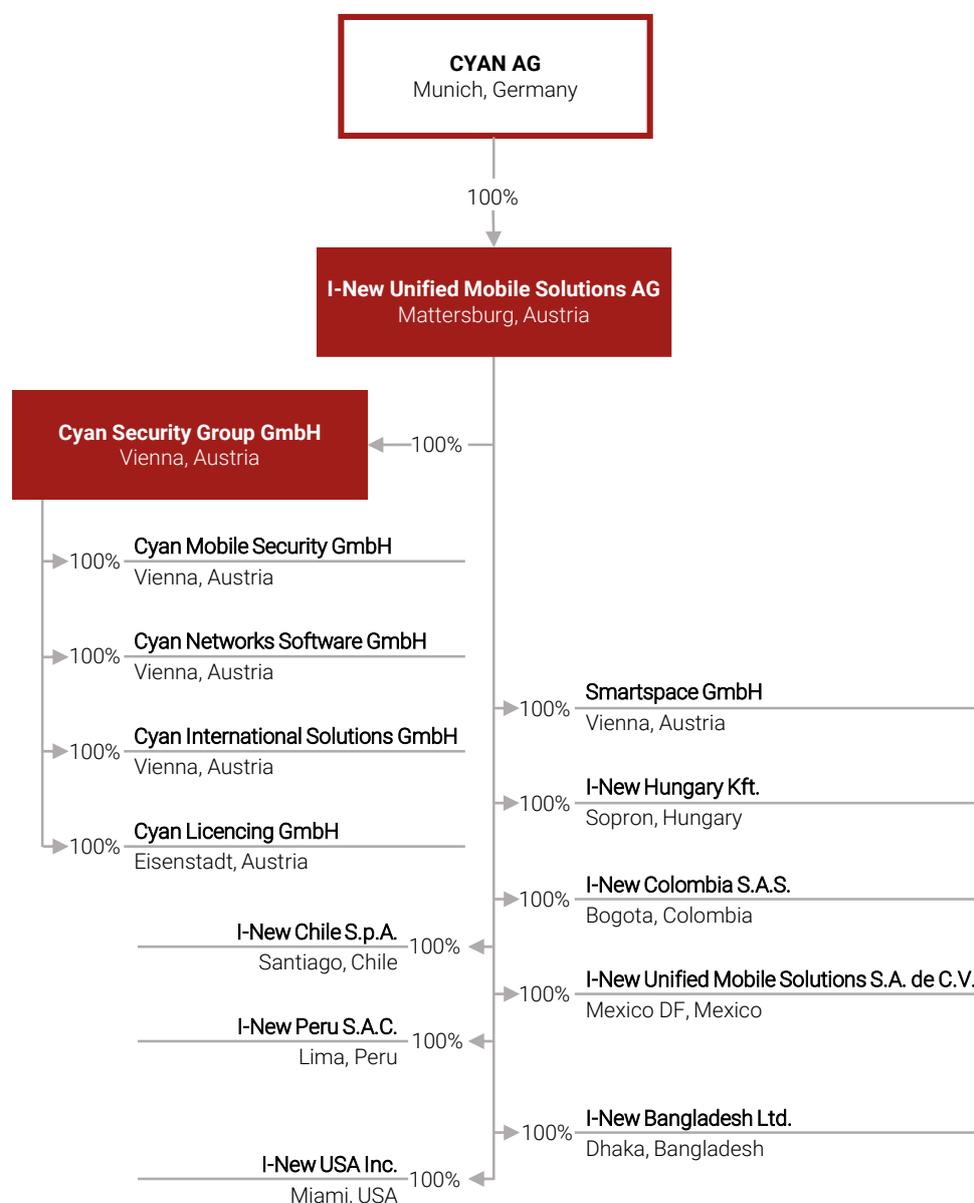
Events occurring after the reporting period

Group structure

With the positive resolution of the Annual General Meeting on agenda item 9 regarding the conclusion of a non-cash and cash contribution agreement between cyan AG, Munich (Germany) and I-New Unified Mobile Solutions AG, Mattersburg (Austria), under which all shares of cyan AG in Cyan Security Group GmbH, Vienna (Austria) will be transferred to I-New Unified Mobile Solutions AG in return for the issuing of new shares in I-New Unified Mobile Solutions AG, relevant arrangements have been made. The implementation of the new Group structure was entered on the commercial register on 5 September 2019.

Group structure on 5 September 2019

Img. 3



Capital increase

On 10 July 2019, cyan AG placed a total of 888,594 new shares against cash within the framework of a capital increase within authorised capital. The placement price was EUR 28.00 per share, leading to the company receiving funds in the amount of EUR 24.9 million, gross. After the capital increase, the nominal capital of the company is EUR 9,774,538.00, divided into 9,774,538 shares.

Significant agreements concluded

In July 2019, the signing of agreements with Wirecard (cooperation agreement), Magenta (extension of the existing agreement including termination of exclusivity for the Austrian market) and the start of the Proof-of-Concept (PoC) phase with Telecom Argentina have been announced.



Consolidated Financial Statements

Statement comprehensive income

Statement of profit-or-loss

in TEUR	Note	H1 2019	H1 2018
Revenues	1	7,029	1,983
Other operating income	2	903	173
Cost of goods sold	3	(2,006)	(313)
Personnel expenses	4	(4,585)	(1,099)
Other expenses	5	(2,375)	(1,439)
EBITDA		(1,034)	(694)
Depreciation and amortisation	6	(2,786)	(1,041)
Operating result (EBIT)		(3,820)	(1,735)
Financial income	7	76	0
Financial expenses	7	(165)	(31)
Result before taxation		(3,910)	(1,766)
Taxes on income and earnings		(57)	174
Net loss of the period		(3,967)	(1,592)

Other comprehensive income (OCI)

in TEUR	Note	H1 2019	H1 2018
Gains (losses) from exchange rate differences		(21)	-
Total result for the period		(3,988)	(1,592)

Earnings per share

in € per share	Note	H1 2019	H1 2018
Undiluted result per share		(0.45)	(0.18)
Diluted result per share		(0.45)	(0.18)

Statement of financial position

Assets

in TEUR	Note	30/06/2019	31/12/2018
Non-current assets			
Intangible assets		65,478	67,728
<i>Patents, trademark rights, customer relationships and similar rights</i>	8	16,387	17,233
Software	8	18,312	19,715
Goodwill	8	30,779	30,779
Tangible assets		4,122	2,754
<i>Land and buildings</i>	9	2,645	1,476
<i>Machines and other equipment</i>	9	751	867
<i>Business and office equipment</i>	9	726	411
Participations		-	0
Other receivables	12	111	115
Contract costs	10	141	160
Deferred tax assets		450	681
Total non-current assets		70,303	71,439
Current assets			
Receivables from goods and services and other receivables	12	5,563	5,956
Inventories		14	14
Tax receivables	12	861	579
Other receivables and assets	12	1,800	1,764
Cash and cash equivalents	13	1,109	1,942
Total current assets		9,348	10,255
Total assets		79,650	81,694

Equity and Liabilities

in TEUR	Note	30/06/2019	31/12/2018
Equity			
Share capital	14	8,886	8,765
Reserves		40,457	41,813
<i>Capital reserves</i>		44,494	41,861
<i>Other reserves</i>		43	65
<i>Profit / loss carried forward</i>		(4,080)	(113)
Total equity		49,343	50,578
Non-current payables			
Non-current provisions	17	4	4
Financial liabilities	15	1,577	-
Deferred tax liabilities		7,378	7,746
Total non-current liabilities		8,959	7,750
Current liabilities			
Payables for goods and services and other liabilities	16	2,312	3,245
Current Provisions	17	4,361	4,769
Financial liabilities	15	13,884	11,702
Other financial liabilities from capital increases not yet effective	15	-	2,753
Current tax liabilities		793	898
Total current liabilities		21,349	23,367
Total liabilities		30,307	31,116
Total equity and liabilities		79,650	81,694

Statement of cash flows

in TEUR	Note	H1 2019
Result before tax from continuing operations		(3,910)
Result before tax from discontinued operations		-
Result before tax		(3,910)
Adjustments to reconcile profit before tax to net cash flows		
Profit/loss from the decrease in assets		7
Depreciation/write-ups of fixed assets and marketable securities and investments		2,786
Increase/decrease in provisions		(278)
Financial income		(76)
Financial expenses		165
Other expenses/income with no influence on liquid funds		(50)
		(1,356)
Working capital adjustments		
Change in inventories		(0)
Change in contract assets		1
Change in receivables from goods and services and other receivables		429
Change in payables for goods and services and other liabilities		(1,530)
Net cash flow from earnings before taxes		(2,457)
Income taxes paid		(490)
Cash flow from operating activities	18	(2,946)
Purchases of plant and equipment and intangible assets		(110)
Proceeds on disposal of property, plant and equipment		26
Interest received		76
Cash flow from investing activities	19	(8)
Proceeds from loans and borrowings		2,537
Repayments of borrowings		(0)
Payment of finance lease liabilities		(280)
Interest paid		(153)
Cash flow from financing activities	20	2,104
Net cash flow		(850)
Cash and cash equivalents at the beginning of the fiscal year		1,942
Cash and cash equivalents at the end of the period		1,109
Net foreign exchange difference/Effect of movements in exchange rates on cash held		17

Statement of changes in equity

in TEUR	Nominal capital	Capital reserve	Other reserves	Accumulated results	Minority interests	Equity
01/01/2018	3,066	4,588	-	-	-	7,654
Shortfall for the year	-	-	-	(113)	-	(113)
Miscellaneous result after taxation	-	-	65	-	-	65
Total result for the fiscal year	3,066	4,588	65	(113)	-	7,605
Paid-in capital after deduction of transaction costs	5,699	37,274	-	-	-	42,973
Additions	-	-	-	-	28,384	28,384
Change in minority interests	-	-	-	-	(28,384)	(28,384)
31/12/2018	8,765	41,861	65	(113)	-	50,578
Shortfall for the year	-	-	-	(3,967)	-	(3,967)
Miscellaneous result after taxation	-	-	(21)	-	-	(21)
Total result for the fiscal year	8,765	41,861	43	(4,080)	-	46,590
Capital increase	121	2,632	-	-	-	2,753
30/06/2019	8,886	44,494	43	(4,080)	-	49,343



Selected Notes to the Accounts

Information on the company

CYAN AG, with statutory seat in Munich is a public limited company, registered on the German commercial register under CRB 232764. Since March 2018, CYAN AG is listed on the German Stock Exchange in the Scale Segment of the Open Market. Within the Group, CYAN AG acts as holding company. Operational services are provided in particular by Austrian CYAN Security Group GmbH and by I-New Unified Mobile Solutions AG and their subsidiary companies. The Company and its subsidiary companies offer cybersecurity solutions for mobile network operators (MNOs) and mobile virtual network operators (MVNOs), banks, insurance companies and gambling companies, and is also active as Mobile Virtual Network Enabler (MVNE).

Accounting principles

The main accounting and valuation methods applied in the drawing up of these interim accounts are presented below. Except where stated otherwise, the principles have been applied to all years shown.

These interim consolidated accounts have neither been audited nor been reviewed by an auditor.

Because of full consolidation with the i-new took place for the first time for the second half of 2018, hence, the figures for the previous period offer only limited comparability. Except where stated otherwise, all amounts are in thousands of euros (TEUR).

Basis of preparation

The interim accounts per 30 June have been drawn up in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards Board (IASB), London and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU).

The total-cost method has been applied to the presentation. In the overall results account and on the balance sheet, some individual items are combined for reasons of clarity or immateriality. In accordance with IAS 1, assets and liabilities are classified by maturity. They are classified as current, if they mature within one year. Otherwise, they are recognised as non-current.

Functional currency

The interim consolidated accounts of CYAN AG are drawn up in Euro. In totals of rounded amounts, automatic calculation aids may cause small differences.

In the view of management, the interim consolidated accounts include all adjustments that are required in order to present a true and fair view of the assets, financial and earnings positions.

The annual accounts of the affiliate companies that have another functional currency than the Euro, are translated to euros in accordance with the principle of the functional currency. For balance sheet items, the translation is done at the rate prevailing on balance sheet date. Expenses and income items are translated at the average rate for the year. Resulting translation differences are recognised in other comprehensive income

and are included in the currency translation reserve in equity, until the subsidiary company is sold.

Currency translation differences arising from exchange rate fluctuations between recognition of the transaction and its cash effectiveness or measurement on balance sheet date, are recognised in profit or loss and reported in the financial result.

The following table shows the exchange rates of the foreign currencies in which CYAN AG conducts its business:

	On 30/06/2019	Average H1 2019	On 31/12/2018	Average H1 2018
Bangladeshi taka (BDT)	96.077	95.237	96.238	-
Chilean peso (CLP)	772.920	764.042	795.890	-
Columbian peso (COP)	3,638.448	3,625.376	3,720.964	-
Mexican peso (MXN)	22.783	21.654	22.889	-
Peruvian sol (PEN)	3.769	3.793	3.923	-
Czech crown (CZK)	25.605	25.684	26.020	25.500
Hungarian forint (HUF)	322.560	320.392	322.740	-
US dollar (USD)	1.129	1.130	1.138	-

Application of estimates

The interim accounts have been drawn up in accordance with IAS 34 "Interim Financial Reporting" and require the making of estimates and assumptions that affect the amounts shown in the interim report. The actual results may differ from these estimates. The estimates and their underlying assumptions are continuously verified. Changes in accounting estimates are recognised in the period in which the estimate is changed and in all affected subsequent periods. Valuations performed by management in accordance with IFRS that have a significant impact on the accounts and estimates that harbour a significant risk of material adjustment in the subsequent year, are explained in the respective items.

Newly applicable accounting rules

IFRS 16

With effect from 1 January 2019, CYAN AG has for the first time applied IFRS 16 "Leases" that replaced the previous IAS 17 leasing standard with the relevant interpretations. Based on the new standard, the decisive factors for recognition on the balance sheet are whether the leased asset is an identifiable asset, whether the lessee can determine its use and whether he is entitled to reaping the economic benefits from the asset. There is no longer a differentiation between operating and financing leases. Henceforth, the lessee merely recognises a liability for future lease payments for each lease. Simultaneously, a right of use in the amount of the present value of the future lease payments is capitalised and subsequently linearly written off. The new standard affects cyan Group especially in respect of the renting of office space, data lines and vehicles.

The transition to IFRS 16 was modified retrospectively, which is why the comparative figures for 2018 will not be adjusted, meaning that they are retained in accordance with IAS 17 (along with the relevant interpretations). The new rules are accompanied by an extension of the balance sheet, an improvement in EBITDA, simultaneously with higher

depreciation and interest expenses, and by postponement of expense from leases to the beginning of the relevant contractual validity period.

Leases previously classified as operating leases are measured at the present value of the remaining lease payments, discounted at the lessee's marginal borrowing rate. The respective marginal capital interest rate derived on the basis of the interest rate for Deutsche Bundesbank's federal bonds, thereby taking into account the credit spread, the country risk and the inflation differential, was used for the discounting. The weighted average marginal capital interest rate of cyan Group is 1.5%.

Liabilities from leasing are recognised on the consolidated balance sheet as part of the financial liabilities and have the following maturity structures:

in TEUR	01/01/2019	30/06/2019
Liabilities from leasing		
non-current	1,769	1,577
current	-	-

cyan Group has opted to exercise the practical simplification option of IFRS 16.C3; therefore, at the time of first-time application, it is not assessed anew whether an existing agreement constitutes or contains a lease. Furthermore, cyan Group has made use of the facilitation of application of low-value assets and short-term lease agreements, in accordance with IFRS 16.5.

For first-time application, lease agreements previously classified as operating leases have been captured at the amount upon inception of the lease at which the rights of use are recognised, adjusted for the amount of prepaid or deferred lease payments. This then has no effect on the Group's equity. In the following table, the adjustments at the level of the individual balance sheet items are shown:

in TEUR	31/12/2018	Adjustments IFRS 16	01/01/2019
Tangible assets	2,754	1,769	4,523
Financing lease agreements	-	1,769	1,769

IFRS 16 requires estimates that affect the measurement of both the rights of use and leasing obligations. They encompass contractual validity periods and the marginal capital interest rate used for discounting future payment obligations. The effect of the first-time application of IFRS 16 has not been audited and may change before publication of the consolidated annual accounts of 2019.

In the following table, the development of rights of use is shown within the balance sheet item 'Tangible assets'.

in TEUR	H1 2019	H1 2018
Buildings		
Procurement costs	1,355	-
Accumulated depreciation	(151)	-
Net book value 'Buildings'	1,204	-
Other systems, operating and office equipment		
Procurement costs	414	-
Accumulated depreciation	(45)	-
Net book value 'Other systems, operating and office equipment'	369	-

The application of IFRS 16 had a positive effect of EUR 204.3 thousand on EBITDA in the Group, because rental expense does not arise under IFRS 16. On the other hand, EBIT was reduced through additional write-offs of EUR 195.4 thousand. After interest expenses of EUR 12.2 thousand, IFRS 16 had an effect of EUR -3.4 thousand on net profit for the period.

Sales revenues

Revenue is measured at the fair value of the consideration received or to be received. Sales revenues are recognised net (without turnover tax) and are reduced by estimated amounts of customer reclamations, discounts and similar compensation.

In principle, the revenues of CYAN Security Group GmbH and its subsidiary companies are recognised when the services are rendered and are generally invoiced on a monthly basis. At i-new Group and at Cyan Networks Software GmbH, some services are invoiced in advance.

Tangible assets

Tangible assets are recognised at acquisition cost, reduced by accumulated depreciation. Acquisition costs comprise the procurement price, ancillary costs and subsequent acquisition costs, minus discounts received on the price.

Subsequent costs are included in the book value of the asset or, where appropriate, recognised as a separate asset, but only when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured. The book value of the replaced part is derecognised. All other repair and maintenance costs are recognised in the overall results account, in the period in which they are incurred.

Assets are linearly depreciated over their estimated economically useful lives. When determining the estimated useful life, the economic and technical life expectancy was taken into account. The estimated economically useful life of tangible assets is 3-5 years for IT devices and 4-10 years for other operating and office equipment. The sustainability of the book values and the economically useful lives of the assets is reviewed at each balance sheet date and adjusted when required. When assets are sold, decommissioned or scrapped, the difference between the net proceeds and the net book value of the asset is recognised as a gain or loss in other operating income or expenses.

Intangible assets

Acquired licences are recognised on the basis of acquisition and commissioning cost of the software. These costs are linearly written off over the estimated economically useful life (3-5 years).

Goodwill arising from the acquisition of undertakings is measured as the fair value of the transferred consideration and the amount of all non-controlling interests in the acquired undertaking, minus the balance of the fair value of acquired identifiable assets and the assumed liabilities. Goodwill and customer relationships have been recognised as part of the acquisition of CYAN Security Group GmbH Group. Planned depreciation is not applied to goodwill. According to IAS 36, value sustainability must be tested once a year. If there is any indication of impairment, an impairment test must be performed at once.

Customer relationships are linearly written off over their economically useful lives (9 respectively 12 years).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances at banks and may include other current, highly liquid investments with an original maturity of up to three months. They are recognised at their nominal amounts.

Financial liabilities

In accordance with IFRS 9, financial liabilities are initially recognised at fair value, minus the incurred transaction costs. Subsequent measurement is at amortised acquisition cost; the difference between the cash inflow (after deduction of transaction cost) and the repayment amount is recognised in the overall results account over the term of the financial liability, by applying the effective interest method.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities, if the payment is due within one year.

Trade payables are initially recognised at fair value and are initially measured fair value and subsequently at amortised acquisition cost, in accordance with the effective interest method.

The book value of other liabilities corresponds to their fair value, because they are predominantly short-term.

Provisions

Provisions are made when the undertaking has a present obligation (legal or factual) as a result of a past event, it is probable that the undertaking will be obliged to honour the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenses required for honouring the present obligation at the end of the reporting period. The expense in relation to a provision is recognised in the overall results account.

Tax on earnings

Income tax expense (or income) for the period is the tax payable on taxable income for the current period, based on the applicable income tax rate (adjusted for changes in deferred fiscal assets and liabilities attributable to temporary differences and, where applicable, as yet unused fiscal losses).

Deferred income taxes (income or expenses) result from temporary differences between the book value of an asset or liability on the balance sheet and its fiscal value. In accordance with IAS 12 (Income Taxes), deferred tax assets/liabilities reflect all temporary valuation and accounting differences between the fiscal balance sheet and the annual accounts in accordance with IFRS. Additionally, deferred taxes are recognised under fiscal losses to be carried forward.

Notes to revenues and earnings

[1] Revenues

The undertaking generates the following types of sales revenues:

in TEUR	H1 2019	H1 2018
Recurring revenues	6,003	1,865
Project revenues	665	-
Miscellaneous	360	118
Total revenues	7,029	1,983

The increase in sales revenues is mostly the result of the acquisition of i-new Group, which occurred during the second half of 2018.

[2] Other operating income

The other earnings encompass the following items:

in TEUR	H1 2019	H1 2018
Earnings from grants/research subsidy	172	173
Price or rate gains	246	-
Miscellaneous	485	1
Total	903	173

The research subsidy is an Austrian subsidy for research and development amounting to 12% of research and development expenses, which is paid in cash by the Austrian fiscal authorities. The miscellaneous items include a repayment of the purchase price that became irrefutable on the basis of a better fortunes agreement within the framework of a share acquisition.

Notes to the expenses

[3] Cost of goods sold

The profit-and-loss account and the overall results account contain expenses on materials and procured services, as follows:

in TEUR	H1 2019	H1 2018
Cost of materials	(226)	(220)
Cost of procured services	(1,780)	(92)
Total	(2,006)	(313)

The procured services are essentially services rendered by third parties. The increase in the expenses on procured services is a result of the acquisition of i-new Group.

[4] Personnel expenses

Personnel expenses encompass the following items:

in TEUR	H1 2019	H1 2018
Salaries	(3,655)	(892)
Social security contributions and wage-related taxes	(773)	(203)
Other personnel expenses	(157)	(3)
Total	(4,585)	(1,099)

The increase in personnel expenses compared to the previous year is a result of the acquisition of i-new Group during the second half of 2018 and the concomitant increase in the number of employees to 121 (30 June 2018: 27).

[5] Other expenses

Other expenses include the following items (type of expense):

in TEUR	H1 2019	H1 2018
Consultancy costs	(831)	(487)
Travel expenses	(375)	(124)
Rental costs	(219)	(45)
Advertising costs	(211)	(105)
Fees	(136)	(214)
Insurance	(102)	(10)
Research and Development	(64)	(104)
Other expenses	(437)	(351)
Total	(2,375)	(1,439)

The consultancy expenses contain expenses on technical consultations, legal and fiscal consultation and other consultancy services. The increase in other expenses is mainly in relation to the acquisition of i-new Group.

[6] Depreciation and amortisation

The overall results account contains depreciation expenses, as follows:

in TEUR	H1 2019	H1 2018
Depreciation on intangible assets	(2,299)	(1,017)
Depreciation on tangible assets	(487)	(24)
Total	(2,786)	(1,041)

Points 8 and 9 contain more information on depreciation.

[7] Financial income and expenses

in TEUR	H1 2019	H1 2018
Interest income		
Loans	0	0
Miscellaneous	76	-
Total financial income	76	0
Interest and similar expenses		
Financing lease agreements	(12)	-
Interest on loans and overdrafts	(152)	(30)
Miscellaneous	(1)	(1)
Total financial expenses	(165)	(31)
Total	(89)	(31)

The interest income emanates from cash and cash equivalents. The interest expenses relate to all external financing obligations (for example bank loans and other loans) and is captured as expense at the time the obligation arises.

Notes to the balance sheet

[8] Intangible assets

In the following tables, the development of the intangible assets is shown:

in TEUR	Patents, customer relationships and similar rights	Software	Goodwill	Total
On 01/01/2018				
Procurement costs	4,680	18,045	-	22,724
Accumulated depreciation	(4,680)	(12,245)	-	(16,925)
Book value	-	5,800	-	5,800
Fiscal year 31/12/2018				
Initial book value	-	5,800	-	5,800
Additions – purchases	5	289	-	294
Additions – internal development	18,369	16,096	30,779	65,244
Deductions	-	(227)	-	(227)
Depreciation	(1,140)	(2,243)	-	(3,383)
Book value	17,233	19,715	30,779	67,728
On 01/01/2019				
Procurement costs	18,373	22,332	30,779	71,484
Accumulated depreciation	(1,140)	(2,616)	-	-3,756
Book value	17,233	19,715	30,779	67,728
Fiscal year 30/06/2019				
Initial book value	17,233	19,715	30,779	67,728
Additions – purchases	11	49	-	60
Additions – internal development	-	-	-	-
Deductions	-	-	-	-
Depreciation	(858)	(1,453)	-	(2,310)
Book value	16,387	18,312	30,779	65,478
On 30/06/2019				
Procurement costs	18,384	22,381	30,779	71,545
Accumulated depreciation	(1,997)	(4,069)	-	(6,066)
Book value	16,387	18,312	30,779	65,478

[9] Tangible assets

The tangible assets have developed as follows:

in TEUR	Building equipment	Machines and other equipment	Other systems, operating and office equipment	Total
On 01/01/2018				
Procurement costs	-	-	105	105
Accumulated depreciation	-	-	(75)	(75)
Book value	-	-	30	30
Fiscal year 31/12/2018				
Initial book value	-	-	30	30
Additions	2,562	2,351	1,378	6,291
Deductions	-	-	(15)	(15)
Depreciation	(1,086)	(1,484)	(982)	(3,552)
Book value	1,476	867	411	2,754
On 01/01/2019				
Procurement costs	2,566	2,442	1,423	6,432
Accumulated depreciation	(1,089)	(1,545)	(1,020)	(3,655)
Book value	1,477	897	403	2,777
Fiscal year 30/06/2019				
Initial book value	1,477	897	403	2,777
Additions	1,355	4	451	1,810
Deductions	-	-	(16)	(16)
Depreciation	(186)	(151)	(112)	(449)
Book value	2,645	751	726	4,122
On 30/06/2019				
Procurement costs	3,921	2,447	1,858	8,226
Accumulated depreciation	(1,275)	(1,696)	(1,132)	(4,103)
Book value	2,645	751	726	4,122

The additions to tangible assets in the first half of the year essentially result from the first-time application of IFRS 16.

[10] Contract costs

In 2018, contract costs were incurred (extra costs for placing orders), which had to be capitalised in accordance with IFRS 15.91. The contract costs are amortised over the validity periods of the agreements.

in TEUR	30/06/2019	31/12/2018
Contract costs		
Procurement costs	160	160
Accumulated depreciation	(19)	-
Net book value	141	160

[11] Financial instruments

The fair values of the financial instruments do not differ significantly from the book values, because the interest receivables and payables are either close to current market rates or the instruments are current ones.

In the case of trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities, it is assumed that the book values essentially correspond to the fair values, in view of the predominantly short-term nature of the items. The financial liabilities bear variable interest rates, which is why there is no difference to the fair value here either.

[12] Receivables

The receivables are broken down as follows, according to maturity:

in TEUR	30/06/2019	31/12/2018
Other receivables	111	115
Total non-current receivables	111	115
Receivables from goods and services	5,563	5,956
Receivables from taxes on earnings	861	579
Accruals	775	764
Other receivables	1,025	1,000
Total current receivables	8,225	8,299

The non-current receivables consist mainly of (rental) deposits. The current receivables did all mature within one year. None of them were overdue or impaired.

The other receivables essentially consist of down payments, tax refund claims and the research subsidy of CYAN Security Group GmbH.

[13] Cash and cash equivalents

The following table shows details of cash and cash equivalents:

in TEUR	30/06/2019	31/12/2018
Cash and cash items	1	1
Balances at banks and financial institutions	1,107	1,941
Total cash and cash equivalents	1,109	1,942

[14] Equity

On 30 June 2019, nominal capital stood at EUR 8,885,944.00 (2018: EUR 8,764,923.00) and was fully paid up. The development of the nominal capital and the capital reserve may be gleaned from the statement of changes in equity.

[15] Financial liabilities

The financial liabilities are broken down as follows, according to maturity:

in TEUR	30/06/2019	31/12/2018
Non-current financial liabilities	1,577	-
Current financial liabilities		
Obligations towards financial institutions	13,884	11,347
Not yet implemented capital increase	-	2,753
Obligations from financing leases	-	355
Total current financial liabilities	13,884	14,455
Total financial liabilities	15,461	14,455

[16] Payables for goods and services and other liabilities

The trade payables are broken down as follows, according to maturity:

in TEUR	30/06/2019	31/12/2018
Other trade payables		
Down payments made	-	6
Payables for goods and services	902	1,720
Total trade payables	902	1,726
Miscellaneous non-current liabilities		
Total miscellaneous non-current liabilities	-	-
Miscellaneous current liabilities		
Obligations towards staff	114	350
Social security contributions	258	166
Accruals	523	742
Loans	94	59
Investment subsidy	209	-
Miscellaneous	212	202
Total miscellaneous current liabilities	1,410	1,519
Total trade payables and other obligations	2,312	3,245

The trade payables were all due within one year. Trade payables are unsecured and are usually paid within 30 days from capturing. The social security contributions relate to social security contributions for employees. Most of the accruals relate to licences.

[17] Provisions

The provisions include the following items:

in TEUR	non-current provisions	current provisions
Book value on 01/01/2018	12	1,496
Use/release	(8)	(2,064)
Additions to provisions	-	5,337
Book value on 31/12/2018	4	4,769
Use/release	-	(939)
Additions to provisions	0	530
Book value on 30/06/2019	4	4,361

Other provisions mainly include expected expenses in relation various claims for damages as well as personnel related provisions.

Notes to the cash flow statement

The statement of sources and application of funds has been drawn up in accordance with the indirect method. It shows the changes in cash and cash equivalents emanating from cash inflows and outflows during the reporting period and distinguishes between cash flows from operating, investment and financing activities. The funds recognised in the statement of sources and application of funds are cash and cash and cash equivalents.

[18] Cash flow from operating activities

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

[19] Cash flow from investment activities

The cash flow from investment activities mainly comprises cash outflows for the purchase of tangible and intangible assets.

[20] Cash flow from financing activities

The cash flow from financing activities is made up of a loan taken out and interest paid. Cash outflows for leases are also included.

Miscellaneous explanatory details

[21] shareholdings and scope of consolidation

The scope of consolidation was as follows on 30 June 2019:

Company	Share of capital	Fully consolidated since
CYAN AG	Exchange listed	n/a
CYAN Security Group GmbH	100%	1 Jan 2018
CYAN Licencing GmbH	100%	1 Jan 2018
CYAN International Solutions GmbH	100%	1 Jan 2018
CYAN Mobile Security GmbH	100%	1 Jan 2018
CYAN Networks Software Gesellschaft mbH	100%	1 Jan 2018
CYAN research and development s.r.o.	100%	1 Jan 2018
I-New Unified Mobile Solutions AG	100%	31 Jul 2018
smartspace GmbH	100%	31 Jul 2018
I-New Chile S.p.A.	100%	31 Jul 2018
I-New Hungary Kft.	100%	31 Jul 2018
I-New Colombia S.A.S.	100%	31 Jul 2018
I-New Unified Mobile Solutions, S.A. de C.V.	100%	31 Jul 2018
Say.Hola! S.A.S.	100%	31 Jul 2018
I-New USA Inc.	100%	31 Jul 2018
I-New Bangladesh Ltd.	100%	31 Jul 2018
I-New Peru S.A.C.	100%	31 Jul 2018

The liquidation of Cyan research and development s.r.o. was completed with the closing balance sheet of 28 June 2019, which is why this company was included in the consolidation for the last time.

[22] Members of the Management and Supervisory Boards

On 30 June 2019, the Management Board of CYAN AG had three members:

- Peter Arnoth
- Markus Cserna
- Michael Sieghart

The Supervisory Board of CYAN AG had the following members:

- Stefan Schütze
- Volker Rofalski
- Lucas Prunbauer

[23] Employees

The average number of total employees during the first half of 2019 was 126.

[24] Contingent liabilities

The Group does not have contingent liabilities in relation to legal claims arising in the ordinary course of business.

[25] Audit fee

In the first six months of 2019, no expenses on auditing have occurred.

[26] Related party transactions

On 5 June 2019, the Management Board of cyan AG, consisting of Peter Arnoth, Markus Cserna and Michael Sieghart, exercised options for a total of 8.7 % of the shares of cyan AG that were outstanding on that date. The options had been granted to the management at the time of listing the company on the stock exchange.

Otherwise, there were no further transactions with related parties during the first half of the year that had a material impact on the financial position or on the business results. Current information on directors' dealings can be found in the Investor Relations section of the website (cyan.ag).

[27] Events after balance sheet date

Disclosable events between the balance sheet date on 30 June 2019 and the publication on 31 October 2019 are noted on page 20 of this report.



Assurance by the Legal Representatives

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

Munich, 31 October 2019

Management Board of cyan AG



Peter Arnoth
CEO



Markus Cserna
CTO



Michael Sieghart
CFO

Notes

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 materialise.

Note on rounding

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

Gender-neutral formulation

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

English translation

The interim report is also available translated in English. In case of deviations, the German version prevails. The interim report is available for downloading in both languages in the Investor Relations section of the websites (cyan.ag).

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