



Quarterly Statement
First Quarter 2021
cyan AG



Quarterly Statement

Dear Shareholders,

The start of the fiscal year 2021 saw new orientations at cyan. On the one hand, Frank von Seth was handed over the torch from Peter Arnoth as the new CEO on January 1, 2021. On the other hand, with this change in the company's management, major adjustments have also been made to structures and to the short- and medium-term strategy.

In the future, the approach developed by the Executive Board will focus entirely on the end user, and revenue generation will be based almost exclusively on recurring revenue. As a cybersecurity company, cyan has developed into a technological protective shield for the mass market in recent years by means of a white label and B2P2C approach (the "P" stands for our "partners"). The aim is to continue to set standards for secure connectivity and Internet usage together with our partners in the future – regardless of how and where people access content on the Internet. For this purpose, management has defined six focus areas for 2021:

1. **Operational Excellence.** Through improved processes and the establishment of a business intelligence unit for data analysis, as well as the hiring of additional technical and marketing personnel, cyan will accelerate operational speed and ensure faster turnaround from signing to go-to-market.
2. **R&D.** For cyan to maintain and expand the technological lead, further investments will be made in the expansion of our Seamless Technology. Furthermore, cyan will make itself less dependent on third-party providers, while at the same time having the ambition to anticipate and implement the coming technological trends.
3. **New Markets.** In addition to the telecommunications sector, cyan will increasingly invest in the insurance market, with other sectors to follow. Furthermore, cyan will expand its geographical presence with new locations enabling it to offer optimal service to current and future partners on site.
4. **Brand cyan.** cyan's state-of-the-art technology will no longer be sold exclusively as a white label product. cyan will establish its own line of products. In addition, the cyan brand will no longer stand solely as a technology partner but will be understood as an integral part of a safe use of the Internet.
5. **Recurring Revenues.** The focus for 2021 and the following years is to build up revolving revenues in combination with high scalability. This systematic change may lead to stagnating nominal revenues in the short term, but will significantly accelerate the growth of cyan's recurring revenues.
6. **Social Responsibility.** In 2021, cyan will launch social projects in the education sector to raise awareness of the sensible and safe use of the Internet and to provide education so that the youngest generation learns how to use modern technology responsibly.

Based on the above measures, important milestones have already been achieved in the first three months of 2021, despite the continuing adverse conditions for generating new business in connection with COVID-19.

Your Executive Board,

Frank von Seth, Markus Cserna and Michael Sieghart

Course of Business

At Orange in France, the two cybersecurity solutions Cyberfiltre and Cyberfiltre Avancé were also launched on April 8 following a successful test phase and the transfer of more than 300,000 existing customers for child protection. Successively, cyan cybersecurity technology will be sold to business customers throughout France by Orange. The market launch was extremely successful, with growth rates of 20% per week already recorded in the first six weeks. This is against the background that the cyberfilter was only offered in five regions so far and stores will not open nationwide until the last week of May. Orange will start all marketing activities from June onwards. Furthermore, the data also shows that the more expensive Cyberfiltre Avancé accounts for two-thirds of all sales. Over the next few months, the customer base will be built, which is then expected to lead to significant recurring revenues in the fourth quarter, or at the latest in fiscal 2022, after the trial periods have been completed.

The rollout of cyan products in other national companies of the Orange Group is progressing quickly. In Slovakia, the integration project has already begun and the launch is planned for the end of 2021. Intensive negotiations are underway with other national companies.

Notwithstanding the success at the launch of Orange, in recent months we have been able to record the highest number of partnerships and contracts concluded in the history of cyan. The focus here was on prioritizing deals with revolving revenues, which will also contribute to our growth in the long term. Strategically, we are refraining from entering into large licensing agreements and accepting a lower revenue development in 2021 in the interest of the qualitative sustainability of our business growth.

1. Grameenphone. With Grameenphone, one of the leading telecommunications providers in Bangladesh, we announced an extension of the existing partnership with the Skitto product brand for at least another five years. Skitto plans to reach a customer base in the double-digit million range over the next few years. Furthermore, initial talks are taking place for security products.
2. MobiFone. With MobiFone, one of the largest MNOs in Vietnam, we were able to move into the marketing phase in March 2021. We are supporting our partner intensively with our marketing experience in monetization and are already negotiating the expansion of the partnership with further security products.
3. MTEL. After years of successful cooperation in the Austrian market, a joint expansion into the much larger markets of Germany and Switzerland was announced. This will lead to a significant increase in the number of end customers and thus to additional revenue for cyan.

Outlook

At the beginning of the second quarter, further important deals were announced. Among them is another notable project, which was finalized in May: The expansion of cyan technology for 700,000 new Magenta fixed network customers in Austria. Magenta is intensifying its marketing and product bundling strategy, which enabled us to win an additional end-customer segment with the launch in May 2021.

Claro Chile, a subsidiary of América Móvil Group and Tier-1 company in the telecommunications sector, is another major international partner which will offer cyan cybersecurity solutions. In the future, Claro Chile's customers in both the B2B and B2C sectors will be

able to purchase cyan's security solutions. The entire spectrum, OnNet Security, OnDevice Security and Parental Control will be offered. Claro Chile is one of the first to benefit from cyan's new structures and marketing support, which massively reduces the go-to-market timeline and guarantees Claro and cyan faster monetization opportunities.

We are particularly pleased to have signed our first real insurer with Seguros Equinoccial, the leading insurance company in Ecuador. cyan's cybersecurity solutions will be integrated into Seguros Equinoccial's cyber insurance offering, with other products to follow. It has become clear that the project duration with an insurer is much shorter and we have many opportunities to cooperate. Seguros Equinoccial is an important reference for the insurance target group and a confirmation of the pursued strategy.

Earnings, Financial and Asset Position

Group revenues reached EUR 1.7 million in the first quarter of 2021 (Q1 2020: EUR 2.5 million). Three quarters of the revenues of the reporting period are recurring revenues. The Cybersecurity segment developed positively in the first three months, even if this was not yet reflected in the revenue of EUR 0.7 million (Q1 2020: EUR 0.8 million). In particular, Orange in France as well as other projects such as MobiFone and the expansion at Magenta in Austria were only launched after the reporting period. The BSS/OSS segment generated revenues in the amount of EUR 1.0 million (Q1 2020: EUR 1.7 million). The decrease is attributable to the license agreement with Virgin Mobile concluded in 2020, which has already been recognized in revenue in previous periods in accordance with IFRS 15. Both Virgin Mobile and the contract with ACN signed in 2019 are nevertheless regular, positive contributors to cash flow.

Furthermore, other operating income in the amount of EUR 1.1 million (Q1 2020: EUR 0.4 million) and changes in inventories in the amount of EUR 0.2 million (Q1 2020: EUR 1.1 million) were recognized. Other operating income includes reversals of impairment losses on foreign exchange gains and research grants. The changes in inventories result from further own work capitalized for the final implementation work at Orange in France. Total earnings in the first quarter of 2021 consequently totaled EUR 3.0 million (Q1 2020: EUR 4.0 million).

EBITDA amounted to EUR -2.7 million in the first quarter (Q1 2020: -1.7 million). Operating expenses were reduced in the first quarter partly due to the optimized cost structure. The headcount, however, was further increased from 156 to 163 in 2021. In addition, fewer one-off effects had to be taken into account compared to the previous quarters. Of the Group EBITDA, EUR -1.5 million is attributable to the Cybersecurity segment and EUR -0.7 million to the BSS/OSS segment, compared to EUR -0.9 million and EUR -0.6 million, respectively, in the prior-year period.

EBIT amounted to EUR -4.1 million in the first quarter of 2021 (Q1 2020: EUR -3.1 million), mainly driven by scheduled amortization of intangible assets. As a result of the positive financial result, earnings before taxes amounted to EUR -4.0 million (Q1 2020: EUR -3.1 million). Due to a positive income tax expense resulting from deferred tax income, the net loss for the three-month period amounted to EUR -2.3 million, slightly higher than in the same period of the previous year (Q1 2020: EUR -2.2 million). Accordingly, earnings per share amounted to EUR -0.24 at the end of the first three months (Q1 2020: EUR -0.23).

Total assets of the Group increased slightly from EUR 96.3 million as of December 31, 2020 to EUR 96.5 million as of March 31, 2021. Equity totaled EUR 71.8 million (Dec. 31, 2020: EUR 72.7 million), which corresponds to an equity ratio of 74.3%. Net debt amounted to EUR 8.7 million as of March 31, 2021 (Dec. 31, 2020: EUR 7.3 million), with

cash and cash equivalents totaling EUR 3.0 million (Dec. 31, 2020: EUR 2.5 million). The change is mainly due to the further utilization of the agreed credit line with an Austrian bank and Convertible Notes Funding Program (CNFP). The calculation of net debt includes EUR 5.9 million (Dec. 31, 2020: EUR 6.2 million) IFRS 16 leasing liabilities and for the first time EUR 0.7 million of outstanding convertible notes from the CNFP.

Cash flow from operating activities after three months 2021 stood at EUR -2.3 million (Q1 2020: EUR -2.2 million), cash flow from investing activities at EUR 0 million (Q1 2020: EUR -0.5 million) and cash flow from financing activities at EUR 3.2 million (Q1 2020: EUR -0.2 million). The latter increased most recently due to the raising of additional financing from banks and two tranches from the CNFP. Thus, the total cash flow amounted to EUR 0.9 million (Q1 2020: EUR -2.8 million).

In addition to the existing credit lines, convertible bonds were issued for the first time in the first quarter under the Convertible Notes Funding Program (CNFP). The program authorizes the issuance of convertible notes with a total volume of up to EUR 8.4 million with the exclusive investor Nice & Green SA, which specializes in equity-related investments and financing of medium-sized growth companies. The program comprises eight consecutive tranches, each with a total nominal amount of EUR 1.05 million. After the mandatory issuance of the first tranche, cyan AG has the right, but not the obligation, to issue the outstanding seven tranches. At the same time, cyan AG has entered into an agreement with NICE & GREEN S.A., according to which the latter is obligated to subscribe to the respective issued tranches upon fulfillment of certain conditions. In the first quarter, two tranches from the program were issued.

Key Figures

Earnings Figures		Q1 2021	Q1 2020
Total earnings ^a	in EUR million	3.0	4.0
EBITDA	in EUR million	-2.7	-1.7
EBITDA-margin ^b	in %	-162%	-71%
EBIT	in EUR million	-4.1	-3.1
EBIT-margin ^b	in %	-249%	-128%
Net income/loss	in EUR million	-2.3	-2.2
Earnings per share	in EUR	-0.24	-0.23

Segment Figures		Q1 2021	Q1 2020
Revenue BSS/OSS	in EUR million	1.0	1.7
Revenue Cybersecurity	in EUR million	0.7	0.8
EBITDA BSS/OSS	in EUR million	-0.7	-0.6
EBITDA Cybersecurity	in EUR million	-1.5	-0.9

Cash Flow Figures		Q1 2021	Q1 2020
Operating cash flow	in EUR million	-2.3	-2.2
Investment cash flow	in EUR million	-0.0	-0.5
Financing cash flow	in EUR million	3.2	-0.2

Balance Sheet Figures		31/03/2021	31/12/2020
Assets, total	in EUR million	96.5	96.3
Equity	in EUR million	71.8	72.7
Net debt ^c	in EUR million	8.7	7.3

Key Operating Figures		31/03/2021	31/03/2020
Number of staff		163	149
Leads ^d		99	66
Addressable market ^e	in million	80	64

^a Comprising sales revenue EUR 1.7 million (2020: EUR 2.5 million) plus other operating income EUR 1.1 million (2020: EUR 0.4 million) and changes in inventories EUR 0.2 million (2020: EUR 0.2 million)

^b Calculated as EBITDA or EBIT divided by revenues

^c Includes leasing liabilities amounting to EUR 5.9 million (2020: EUR 6.2 million); cash and cash equivalents of EUR 3.0 million (2020: EUR 2.5 million)

^d Corresponds to leads from internal sales cycle phases: Early Stage, Advanced Stage, Final Stage

^e Existing contractual relationship where technical integration has already been started/implemented

Further Information

Financial Calendar

Event	Date	Location
3 rd Annual General Meeting	23/06/2021	Munich / virtual
Berenberg & Goldman Sachs German Corporate Conference	20-22/09/2021	
Interim Report H1 2021	30/09/2021	-
CF&B 21 st MidCap Event	12-13/10/2021	Paris
Deutsche Börse Eigenkapitalforum	22-/24/11/2021	virtual
Quarterly Statement Q3 2021	30/11/2021	-

The Annual General Meeting of CYAN AG will be held virtually on Wednesday, June 23, 2021, at 10:00 a.m. (CEST). The information on the Annual General Meeting can be accessed online on the website.

↪ ir.cyansecurity.com/hauptversammlung

Disclaimer

Statements on future events and developments

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

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

Note on rounding

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

Gender-neutral formulation

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

English translation

The report is also available translated in English. In case of deviations, the German version prevails. The report is available for downloading in both languages in the Investor Relations section of the website.

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